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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2430

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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## INTERNATIONAL AFFAIRS

### BRIEFS

YUGOSLAV-CSSR MINISTERS CONFER--Admiral Branko Mamula, Federal Secretary for National Defense, held a discussion yesterday in the Federal Secretariat for National Defense, with Pavel Bahyl, CSSR minister for machinebuilding, who headed a CSSR delegation to our country. In the discussions which were held in a warm and friendly atmosphere opinions were exchanged regarding the situation in and possibilities for further developing military-economic relations between our two friendly socialist countries. [Text] [Belgrade BORBA in Serbo-Croatian 7 Jul 83 p 7]

YUGOSLAV-CSSR TRADE --Economic cooperation between Yugoslavia and the CSSR is developing successfully and in accord with the plans, it was concluded in discussions which ended yesterday in Prague by representatives of both sides of the joint committee for economic and scientific-technical cooperation, namely, vice president of the CSSR Government Svatopluk Potac, and member of the Yugoslav FEC Rade Pavlovic. Special attention was devoted to strengthening cooperation on a long-term basis, in production, cooperation, and specialization, and joint operation on third markets. It was estimated that the value of 1983 trade between the two countries would amount to \$1.6 billion. [Excerpt] [Belgrade BORBA in Serbo-Croatian 9-10 Jul 83 p 8]

CSO: 2800/368

## DISTRICTS INFORM HOXHA ON HARVEST SUCCESSES

AU141932 Tirana Domestic Service in Albanian 1800 GMT 14 Jul 83

[Summary] Comrade Enver Hoxha, first secretary of the AWP Central Committee, has received a letter from the Elbasan District AWP committee plenum. It reads: Dear Comrade Enver, in these days, when we are still feeling the revolutionary atmosphere generated by the celebrations on the occasion of the 40th anniversary of the People's Army, our hearts are filled with a new joy by "the successful crowning of the wheat harvesting, threshing, and delivery, procuding 45,000 quintals over and above the plan." Thus, for the 3 years of the current 5-year period taken together, the production of grain has been exceeded 10 percent. "The implementation of new technologies made it possible to achieve the highest yields to date: 31.9 quintals per hectare over the entire acreage sown with wheat, or 3.8 quintals over and above the planned yield."

Comrade Enver Hoxha has also received a letter from the Tirana District AWP Committee: "We report to you that the agricultural working people in our district, too, have fulfilled and overfulfilled the wheat production plan, achieving an average yield of 3.3 quintals per hectare over and above the plan, or 4.3 quintals over and above last year's yield." In this way, the agricultural working people of our district have overfulfilled the wheat production plan for the first 3 years of the current 5-year period. "The Red Star State Agricultural Enterprise in Kamze distinguished itself particularly by achieving an average yield of 54.4 quintals per hectare, as against a planned 38.7 quintals per hectare."

A letter from the Vlore District AWP Committee says: Dear Comrade Enver, we inform you that like many other districts, ours, too, has overfulfilled the wheat production plan. "The planned yield per hectare was fulfilled and we produced 4.5 quintals more than last year's yield." Numerous cooperatives and agricultural state enterprises overfulfilled their plans.

CSO: 2100/56

## BRIEFS

BERAT WHEAT HARVEST--Berat District has also overfulfilled its wheat production plan. In this connection, Comrade Enver Hoxha, first secretary of the AWP Central Committee, has received a letter from the district's AWP Committee plenum: "Dear Comrade Enver, we inform you that we have overfulfilled the wheat production plan, thus uniting our joy with that aroused throughout the country by achievements in other districts. This year's achievement means that we have produced 48,000 quintals more than in the previous year, or over 20,000 quintals over and above the target for the first 3 years of the current 5-year period. A yield of 50 quintals per hectare was produced in the plains and in the area of high intensification, thus exceeding by one quintal per hectare the yield planned for 1985. A yield of 27 quintals per hectare was achieved in the hilly and mountainous cooperatives, or 2 quintals over and above the plan and 4.5 quintals per hectare more than in 1982." [Summary] [AU151925 Tirana Domestic Service in Albanian 1800 GMT 15 Jul 83]

CSO: 2100/56

## WATER TRANSPORTATION DEVELOPMENTS DISCUSSED

Prague **PLANOVANE HOSPODARSTVI** in Czech No 4, 1983 pp 46-54

[Article by Eng Zdenka Stara, State Planning Commission: "Development of Water Transportation"; passages enclosed in slantlines printed in boldface]

[Text] Water transportation is the oldest form of any type of cargo transport. Inland navigation has been plied in our country for over 60 years by now. The Czechoslovak Elbe Navigation Corporation (CSPL) and the Czechoslovak Danube Navigation Corporation (CSPD) were established in 1922. They had at their disposal 314 vessels with a tonnage of 142,000 tons. Their transportation volume kept growing rapidly despite competition by others, including railroads. This is borne out by the following volumes (in 1,000 tons):

<u>Year</u>	<u>CSPL</u>	<u>CSPD</u>
1922	278	37
1927	741	326
1932	471	291
1937	919	492

The CSPD, which owned 130 to 160 vessels, transported goods by low-capacity barges, tankers and steam-propelled cargo ships, later by tankers built in the Komarno shipyards.

The CSPL obtained by the late twenties and during the early thirties 29 new vessels which had excellent technical features for their time, among them vessels with a carrying capacity of 700 to 1,000 tons, engine-powered tow boats and motorized cargo ships.

Positive development of water transportation was interrupted by World War II which inflicted great damage on it, so that after more than 20 years it returned, for all practical purposes, to the outset of its operations. The postwar period is characterized by elimination of damage caused to the navigation path and to vessels, acquisition of new manpower, etc. Three enterprises were set up: the Czechoslovak Elbe Navigation in Prague, Czechoslovak Danube Navigation in Bratislava and the Czechoslovak Oder Navigation in Ostrava, the latter being later merged with the CSPL to form

a joint enterprise Czechoslovak Elbe-Oder Navigation in Prague and later in Decin.

Output was rapidly increasing in the course of a decade. The existing and rebuilt fleet did not suffice and therefore the Slovak Shipyards in Komarno started building new barges and motorized tow boats. Eventually, building of tug boats for inland navigation was also started in the Melnik shipyard. Also, old steam cranes were being replaced by electric cranes and other high-performance units speeding up transloading in ports.

Increased demands on transportation since the early seventies forced transition to a new technology of navigation, whereby the most prevalent type of tow transport--towboat and barge--was replaced by motorized cargo ships with tugboat technology. A series of barges pushed by a tugboat has better maneuverability, requires less manpower, has cabins with modern equipment and hydraulic operation of various mechanisms eliminating strenuous labor. It also became necessary to renovate and replenish that part of the fleet that fell victim to wear and tear and obsolescence. By the end of the Sixth 5-Year Plan 180 new vessels were delivered, 145 for the CSPLD and 35 for the CSPD. This increased the average fleet strength from 489 to 576 and tonnage increased by 22 percent from 322,000 to 392,000 tons. More than 70 percent of the delivered vessels were slated for the newly introduced transportation of coal to Chvaletice.

Additional deliveries are envisioned for the current 5-year plan when the number of vessels is to increase by an additional 271 vessels, of which 131 will be Czechoslovak products and 141 will be imported from countries of the socialist community. Thus, there is envisioned another increase in carrying capacity of almost 30 percent to 507,000 tons with an average fleet strength of 769 vessels in 1985.

The increase in transportation, which in the Sixth 5-Year Plan amounted to 85 percent, was affected primarily by domestic transportation which increased 2.7-fold. The primary share in this enormous increase accrued to transportation of coal to the Chvaletice power plant and to that of construction materials to the metropolitan areas of Prague and Bratislava. Even though the volume of transportation to other countries increased 19 percent, it was inadequate for fully meeting the demands of foreign trade for transportation of goods in exports and imports due to shortage of vessels and transloading facilities.

Increased demands on transportation called for construction of a coal transloading facility on the Elbe River in the port of Lovosice with an annual capacity of 10 million tons for transloading coal for power plant use, a tanker station in Hnevice on the Elbe and expansion of the transloading area in the Prague-Smichov port. Underway in the Danube region is construction of the Bratislava-Palenisko port with an annual capacity of 4.25 million tons, but its launching into operation is delayed by a shortage of transloading equipment.

The second stage of construction of a control and repair center in Chvaletice is to commence in the Seventh 5-Year Plan. An investment action connected with construction of a transloading facility in Prague-Radotin and the first part of overhaul of the Prague-Holesovice port is also envisioned to take place.

/Water transportation output is to increase 42.1 percent by 1985 with an increase in transportation of goods of approximately 34 percent. Development of domestic navigation is planned to increase 41 percent, particularly through increased transport of construction materials and soils by approximately 68 percent. Implementation of this goal would provide relief for other types of transportation. Also under preparation is transportation of solid fuels for power-generating capacities in the Elbe Basin. Development of foreign transport in the Elbe-Oder region is oriented primarily toward transportation of coal and industrial salt in mutual cooperation between the CSSR and the GDR and toward other commodities imported or exported via the ports of Hamburg and Luebeck. This transport is to reach a volume of 1.95 million tons in 1985. Foreign transport by the CSPD is to increase to 2.6 million tons, with imports mainly of iron ore and raw materials for our processing industry, and exports mainly of coal and finalized industrial products. This should increase foreign transport by roughly one-fifth and, as a result of extended transportation distance to 937 km, its output will increase 46 percent./

## II. Significance of Water Transportation, Social Benefits and Outlook

The 16th CPCZ Congress stipulated for the transportation system as its key task timely, continuous, high-quality and efficient provision of the transportation needs of the national economy and of the populace. Transportation of goods is to increase in the Seventh 5-Year Plan by 7-9 percent with emphasis on railroad and water transportation, with improved quality of passenger transportation, lowering the social production demands on transportation by a minimum of 5 percent (primarily by efficiency-promotion measures by transporters, accelerated development of transportation systems and lowering the demand of all types of transportation on energy), as well as with planned channeling of distribution of transportation tasks toward transportation sectors that are less demanding on energy.

The significance of water transportation at the present time is constituted primarily—in comparison with other types of transportation—by its lower demand on energy. This is documented by the following data:

Specific Consumption of Fuel Oil in Liters per 1,000 tkm [ton-kilometers]

Type of Transportation	1980 act.	1981 act.	1982 plan	1983 dir.	1984 prop.	1985 prop.	1985 1980
Railroad transportation							
in diesel traction							
(1 gross tkm = 0.57 tkm)	14.84	14.93	14.79	14.79	14.77	14.74	99.3
CSPLO	16.905	16.677	16.477	16.309	16.142	15.975	94.5
CSPD	9.257	9.161	9.026	8.933	8.839	8.747	94.5
CSAD* in CSR	59.45	57.46	56.07	55.12	54.36	53.57	98.3
CSAD in SSR	60.77	58.37	57.06	56.28	55.46	54.80	99.6

\*Czechoslovak Automotive Transportation

The effect of fuel savings can be expressed by comparison of domestic transport. With an average annual output of domestic water transportation in the Seventh 5-Year Plan of 799 million tkm it will save 1,624 tons of fuel in comparison with railroads and 19,310 tons with public highway transportation.

Specific consumption per unit of transportation output decreased in 1981 in comparison with 1980 in the CSPLD by 1.3 percent and in the CSPD by 1 percent; for the entire 5-year plan this decrease is to reach 5.5 percent. For that reason, there will be implemented a series of measures such as, e.g., stepped up introduction of regular operation of tugboat transports with a higher number of barges, elimination of unfavorable unidirectional transport, temporary suspension of operations by traction vessels demanding on energy, etc.

/It is not only low demand on energy, but also foreign-exchange advantages that speak clearly in favor of increasing the share of water transportation. Water transportation represents a significant source of foreign-exchange savings in transportation of Czechoslovak goods abroad. Use of water transportation instead of railroads (e.g., from Hamburg to Prague, or from Bratislava to downstream Danube ports) could produce net foreign-exchange savings per transported ton on the order of approximately Kcs 300 VRCV [foreign-exchange rate correction factor] (under 1980 conditions). In the volume of transportation abroad in the course of the Seventh 5-Year Plan this represents in the case of the CSPLD an annual average of Kcs 580 million VRCV and Kcs 510 million VRCV in the CSPD which we otherwise would have to expend for transportation of our goods abroad.

/The advantage offered by water transportation can also be seen in the fact that it is least demanding on steel consumption per unit of transportation output; from the viewpoint of value, automotive transportation accounts for a fourfold consumption and railroads for a twofold consumption.

/Water transportation also comes up with the highest productivity of labor in transportation output per manpower. Under the current conditions and a comparable job structure, it is 1.8 higher in water transportation than in railroad transportation and 4.9 higher than in public highway transportation./

Water transportation could provide significant relief to railroads by freeing them from the task of transporting some bulk substances to enterprises located along water lines. The contemporary navigation network progresses in parallel with the first main traction from Ustí and Labem to Chvaletice and the second main traction from Sturovo to Bratislava. The lower and middle Danube from Ismail to Bratislava can also be considered as parallel with the first main traction in exchange of goods with the Soviet Union.

In exchange of goods with the GDR and the northern part of the FRG, we can consider the Oder River and the lower Elbe, connected via Berlin with the Oder, as parallel with the first main traction. In this way, it would be possible to divert from the first main traction all substrates from northern Moravia and Slovakia destined not only for Berlin or Magdeburg, but also for Hamburg, Bremen or Rotterdam.

The most used sector of water routes at the present is the middle Elbe. From the viewpoint of waterway capacity the existing navigation network still has considerable unused resources. To facilitate utilization of the advantages they offer, party and state organs are providing considerable support to water transportation, as expressed also in the resolutions of the 16th CPCZ Congress and the resolutions of the CSSR Government.

### III. Development of Waterways

The government called for working out a specific program of reconstruction and development of Czechoslovak waterways until 1990 with an outlook to the year 2000 and to carry out the requisite preparation of investment goals. At present, it is planned to discuss a directive for initiating specific negotiations with Poland to make the Oder navigable all the way to Ostrava.

In applying the experience of countries with economic and geographical conditions similar to those of our country, it would be advisable to increase the share of Czechoslovak water transportation in overall transportation in the CSSR in transportation of goods after the year 2000 to reach approximately 10 percent or, in transportation output approximately 20 percent (as compared to the present 0.7 and 3.7 percent).

A yearly increase of approximately 9 percent should account by the year 2000 for transporting of over 50 millions tons of goods, i.e., over 20 billion tkm annually. This would call for increasing the share in transportation output to 17 percent. From among the monitored sectors, those most heavily subjected to transportation requirements to the year 2000 are the Danube River (approximately 32 million tons), and on the Elbe-Moldau waterway the Melnik-Hrensko sector (approximately 14 million tons). In regard to the Danube waterway, a substantial part of the traffic load is for transit and Czechoslovak shipments abroad. On the other hand, in the Elbe-Moldau region roughly two-thirds of all transport is for domestic traffic.

On the basis of an analysis of transportation requirements, demands of waterways development on investments and the possibilities of the national economy, the concept of continued development of waterways to the year 2000 should be oriented in the following directions:

- increased utilization of the Elbe-Moldau and Danube waterways for navigation abroad;
- increased utilization of existing Czechoslovak waterways while providing for their upgrading and modernization;
- gradual extension of the Czechoslovak waterways network according to specific needs and possibilities of the national economy.

In the Czech Socialist Republic this means:

- continue with modernization and upgrading of the Elbe and Moldau waterway in the Melnik-Hrensko and Slapy-Melnik sectors and complete the work on making the mid-Elbe navigable, i.e., connecting it to Pardubice, to include deepening the Elbe waterway to 2.5 m;

--for foreign relations oriented toward the area of the Baltic and North seas continue making the Oder navigable to Ostrava with the objective of gradually establishing a navigational contact with the Danube;  
--orient efforts toward finishing a system of canals connecting the Danube-Oder-Elbe waterways which, in view of the demands on investments, can be accomplished only with cooperation of interested countries.

In the Slovak Socialist Republic it will be necessary to:

--improve navigation conditions on the Danube in connection with building the Gabčíkovo-Nagymaros waterworks system;  
--continue with making the Váh River navigable in the Komárno-Sereď sector;  
--conclude dealing with the unresolved problem of making navigable the border sector of the Morava River in direct relation to construction of the Gabčíkovo-Nagymaros waterworks system and utilization of the joint Czechoslovak-Austrian sector of the Danube;  
--deal with transportation problems in the eastern part of our country, pursue efforts to make navigable the Laborec and Latorica rivers all the way to the area of the Vojany thermal power plant and Čierna on the Tisa River.

According to current concepts which will have to be updated in closer detail in the coming years, it is envisioned to achieve transportation on the order of 32.8 million tons in the year 2000. More detailed data regarding the envisioned development up to 1995 are shown in the following table.

[see table next page]

Indicator	7th 5-Year Plan (1980)	8th 5-Year Plan (1985)	1995 Outlook	1985 1980	1990 1985	1995 1990
Total goods trans- portation in 1,000 tons	a) 14,000 b) 9,200 c) 4,800	18,060 11,340 6,720	25,200 26,700 8,500	133.9 122.6 162.5	129.0 123.3 140.0	139.5 147.3 126.5
Foreign river transport in 1,000 tons	a) 4,450 b) 1,950 c) 2,500	6,360 2,940 3,420	8,200 3,800 4,400	121.5 101.7 143.3	142.9 150.8 136.8	128.9 129.3 128.7
River/seagoing transport in 1,000 tons	b) 100	100	100	108.7	100.0	100.0
Total foreign transport in 1,000 tons	a) 4,550 b) 1,950 c) 2,500	6,460 2,940 3,520	8,300 3,800 4,400	121.2 101.7 141.6	142.0 150.8 135.4	128.5 129.3 127.8
Domestic transport in 1,000 tons	a) 9,450 b) 7,250 c) 2,200	11,600 8,400 3,200	16,900 12,900 4,000	141.0 129.8 197.0	122.8 115.9 145.5	145.7 153.6 125.0
of which:						
solid fuel in 1,000 tons	a) 5,540 b) 4,740 c) 800	6,830 5,950 880	10,045 9,250 795	115.3 112.5 134.7	123.3 125.5 110.0	147.1 155.5 90.3
construction materials and soils in 1,000 tons	a) 4,580 b) 2,580 c) 2,000	5,670 2,670 3,000	7,400 3,600 3,800	167.5 156.7 183.7	123.8 103.5 150.0	130.5 134.8 126.7
other substrates in 1,000 tons	a) 3,880 b) 1,880 c) 2,000	5,560 2,720 2,840	7,755 3,850 3,905	133.1 114.2 157.5	143.3 144.7 142.0	139.5 141.5 127.5
Total transportation output in 1,000 tons	a) 5,107 b) 1,836 c) 3,271	7,340 2,572 4,768	10,284 3,787 6,497	142.1 117.1 161.5	143.7 140.1 145.8	140.1 147.2 136.3
Foreign river output in millions tkm	a) 4,039 b) 1,046 c) 2,993	6,116 1,669 4,447	8,142 2,070 6,072	148.7 113.4 166.8	151.4 159.6 148.6	133.1 124.0 116.5
River/seagoing output in millions tkm	b) 225	225	225	109.8	100.0	100.0
Total foreign output in millions tkm	a) 4,264 b) 1,046 c) 3,218	6,341 1,669 4,447	8,367 2,070 6,072	146.0 113.4 161.0	148.7 159.6 145.2	132.0 124.0 134.8
Domestic output in millions tkm	a) 843 b) 790 c) 53	999 903 96	1,917 1,717 200	125.4 122.3 203.8	118.5 114.3 181.1	191.9 190.1 208.3

a) Total CSSR water transportation; b) CSPLD = CSR; c) CSPD = SSR.

The share of river transportation abroad in total transportation of goods in 1995 will be approximately 32 percent, river/seagoing, 1 percent and domestic transportation approximately 67 percent, with a reduction in solid fuels from 46 to approximately 40 percent and an increase in transportation of construction materials and soils from 26 to 30 percent. The share of foreign river transport output will increase from 75.6 percent in 1980 to 79.2 percent in 1995. In subsequent stages of outlook estimation, its realistic aspects for proposed development will have to be continually verified.

The envisioned increase in navigation abroad should be promoted by:

- the expansion of mutual transport between the CSSR and the GDR (salt, coal, eventually synthetic fertilizers);
- commencement of transportation on the Oder, transportation between the North Bohemian Paper Mills-Stettin and vice versa, eventually along the Stettin-Kozli-Gliwice-Stettin route; exports and imports of goods of Czechoslovak foreign trade via Polish ports and mutual transportation between the CSSR and the PLR [Polish People's Republic] (coal, metallurgical products);
- increased transportation between the CSSR and Hamburg and the Central Canal as a result of the envisioned conclusion of an agreement with the FRG in the area of inland water transportation which would facilitate transportation of Czechoslovak foreign-trade goods to West German and West European river and maritime ports;
- increased transportation of imported raw and processed materials and increased export of final industrial products in the Danube region;
- completion of the canal connecting the Rhine-Mohan-Danube (with an envisioned goods transport of approximately 0.3 million tons annually);
- transit of Czechoslovak foreign-trade goods via lower Danube ports of Galac, Braila, Reni, Izmail and to other ports in and outside of Europe;
- channeling Czechoslovak foreign-trade goods through the Cierna voda-Constanca canal in Rumania after its completion (planned for 1983);
- devoting particular attention to shipments of considerable weight and large dimensions.

The extent of river/seagoing transportation should retain its present volume in the course of the subsequent 5-year plans.

The proposed development of domestic navigation has as its prerequisites:

- /--increases in transportation of coal for power generation to industrial conurbations in the Elbe and Moldau basins (Neratovice, Kolin, Prague), coal for power generation to the Chvaletice power plant and launching transportation to the heating plant in Opatovice;
- /--increase in conventional domestic Elbe-Oder transportation by increases in the transportation of construction materials (gravel sand, crushed aggregates), fertilizers and dry waste from the metropolitan area of Prague. A contribution to this may be expected from transport that will commence after launching of operations in the port of Pardubice which, in addition to commercial coal, should transport fodders as a waste product from the production of table oils, prefabricated products, fertilizers, wood and liquid wastes;

/--increases in domestic Danube navigation by transportation of construction materials, heating oils and other suitable substrates in connection with extension of the Danube waterways inland (Komarno-Sered along the Vah River), increments in transportation of gravel sands from the vicinity of Hrusov and gravel sand pits on the lower Morava River. It is also envisioned to transport larger volumes of liquid substrates from Bratislava to Sturovo and, along the Morava River, all the way to Prerov./

#### IV. Development of the Technological Base of Water Transportation

Inadequate supplies for the fleet (the prevalent part of the production capacity of Czechoslovak shipyards is oriented to exports) could become an obstacle to the envisioned optimum development of water transportation. For that reason, the Presidium of the CSSR Government adopted in 1979 a resolution to provide vessels to meet domestic demand and exports in the seventh and eighth 5-year plans. However, experience in implementing it shows that in the area of production and delivery of vessels it is absolutely necessary to have a specific concept of long-term development of the fleet. For that reason, the Federal Ministry of Transportation in cooperation with the shipping enterprises worked out detailed conceptual materials till the year 2000. Independently of that the Transportation Research Institute in Zilina is preparing comprehensive documentation showing the courses for further development of water transportation. It is turning out that the promoted orientation toward tugboat navigation technology is correct. Selected and economically favorable cargo calling for expedient delivery or with a specific characteristic of the cargo will be carried by motorized cargo ships.

/Lately, a new technological trend consisting of the use of special tugboat "lighters" has been coming into the foreground. They are used also by the Interlikhter International Economic Shipping Enterprise, which loads these "lighters" (i.e., adapted river barges laden in Danube ports) on a seagoing carrier and transports them to India and Pakistan. In 1981, Interlikhter also introduced transportation of goods in their own containers directly to recipients in countries along the Danube, further in Pakistan, India, Vietnam, Cambodia and Malaysia in both directions.

/The advantage offered by the "lighter" system is that seagoing carriers make it possible in the course of one voyage to transport a wide scale of products, starting with bulk goods down to turnkey installations, machinery and piece goods. It could be expanded to transportation over shorter distances, particularly in the Black and Mediterranean seas and solve the problems stemming from mutual exchange of goods between the USSR and the CSSR. Also coming into the center of attention is the northern route via Baltic ports and Leningrad, as borne out by negotiations between the USSR and the GDR./

Despite everything, the lighter-type navigation technology is most dynamic on a worldwide scale and after the current barges and towboats will have served their purpose it will fully replace towed navigation and will develop at the expense of motorized cargo ships. The "Danube Commission" Statistical Yearbook for 1979 states that from the newly built tonnage in 1979, vessels for lighter-type technology accounted for 94 percent.

The basic characteristic of higher forms of push-type technology of navigation (in addition to introduction of larger push-type systems) will also be changes in organization of transportation which will affect the vessels themselves, particularly tugboats. Large tugboats pushing a large number of barges should keep moving continuously without delays to stop in individual ports. Thus, handling facilities of ports and transloading stations along the route will have to be equipped for handling tugboats.

If we take into consideration the fleet situation (in 1981), where we meet tasks with 620 vessels with a tonnage of 400,000 tons, in 1985 we shall need approximately 770 vessels with a tonnage of 570,000 tons. It is envisioned that with deliveries of approximately 210 vessels in the Eighth 5-Year Plan and 250 in the Ninth 5-Year Plan, by 1990 the tonnage will increase 28 percent to 650,000 tons and by an additional 25 percent to more than 800,000 tons of carrying capacity by 1995, which represents an increase in the average fleet strength to approximately 880 and eventually 1,030 vessels.

Providing them will involve acquiring them as far as possible from domestic capacities (approximately 75 percent), specifically from the Czech Shipyards Prague Heavy Machinery Plants [ZTS] and Komarno ZTS. Importation of vessels should take place only in cases that cannot be met by domestic production and only in the case of a small number of vessels of various types for which provisions were made for specialization within CEMA countries.

Transloading of goods in Czechoslovak ports in 1980 was done by approximately 86 various cranes, of which approximately 54 percent are over 10 years old and some even over 30 years old. At the same time, the economic service life of port cranes is 17 years; of mobile cranes, 8 years. The demand for the period of the Seventh 5-Year plan calls for 49 cranes, some of which will be Czechoslovak products and the rest imported from Hungary, Yugoslavia, the USSR and Poland. Meeting of tasks in subsequent 5-year plans will call for an additional 10 cranes.

Launching of construction of the Sereď and Pardubice ports and continuation of the construction of the Prague-Radotin and Bratislava-Palénisko ports for the Eighth 5-Year Plan is envisioned. Other significant projects are overhaul of the port and the transloading facility for heavy loads and containers in Melník and in Prague-Holesovice, upgrading of the quay wall in Decín-State Loubí and the transloading facility for bulk goods in Bratislava. In the Ninth 5-Year Plan, construction will be started on the ports of Ostrava on the Oder River, Lanžhot and Hodonín on the Morava River, Trnovec on the Váh River (in keeping with CSSR Government Resolution No 57/1982 regarding development of waterways in the CSSR and their interconnection with the system of European waterways).

Making individual sectors of waterways navigable as well as construction of ports and transloading facilities along new waterways depends on the possibilities of the national economy and on securing international participation by interested countries.

In comparison with other modes, water transportation offers the advantage of attained labor productivity. The development in manpower strength and labor productivity in the final years of individual 5-year plans is shown by the following data:

Indicator		1980	1985	1990	1995	1985	1990	1995
		act.	plan	plan	plan	1980	1985	1990
Number of personnel	a)	6056	7171	8092	9420	117.4	112.8	116.4
	b)	3445	3923	4530	5250	113.9	115.5	115.9
	c)	2611	3248	3562	4170	122.1	109.7	117.1
Productivity in 1,000 tkm per worker	a)	593	718	904	1089	121.1	125.9	120.5
	b)	456	468	568	718	102.6	121.4	126.4
	c)	774	1026	1331	1558	132.6	129.7	117.1

a) Total water transportation in the CSSR

b) CSPLD = CSR

c) CSPD = SSR

The different development of labor productivity in the shipping enterprises is given by the character of the waterway, the transportation distance, numbers and types of vessels, operations of ports, transloading facilities, etc. In the case of the CSPLD, the average transportation distance in foreign river navigation amounts to 493 km, in domestic navigation to 120 km, i.e., an average of 213 km. For the CSPD, in foreign river navigation it is 1,122 km, river/seagoing 2,065 km, domestic 20 km, i.e., an annual average of 656 km. Thus, the average transportation distance in water transportation is 343 km and, projected to 1995, it is to be extended to 408 km. The Danube waterway makes it possible to use vessels and vessel systems of higher tonnage, which at the same time requires relatively smaller crews. Therefore, the development of increments in the number of personnel according to individual work categories will differ in individual seasons and shipping enterprises.

In view of deliveries of vessels in the eighth and ninth 5-year plans the crew strength of the CSPLD will have to be increased by approximately 400, i.e., 66 percent of the overall increase in personnel. On the other hand, the CSPD enterprise counts on strengthening ship crews by 120 to 200 personnel and approximately 200 workers in shipyards; in addition, approximately 200 workers will be needed for the existing transloading facilities in Bratislava and Komarno and the newly constructed ports on the Vah and Morava rivers. To that end, it will be necessary to create the appropriate socioeconomic conditions and an effective system for upgrading their qualifications in operations and managerial components.

Scaling down the demand on transportation by other types of transport makes it possible to increase the output of water transportation by hiring new personnel who, after acquiring the requisite specialized knowledge, could prove useful in introducing new technologies of navigation.

Scientific and technological development in water transportation will be oriented toward:

- automated control of navigation operations;
- innovation and modernization of the technological equipment of waterways and ports and the possibilities for their expansion;
- innovation and modernization of vessels;
- improving the system of fleet maintenance and repair.

Development of water transportation in the CSSR over the past 60 years shows that transportation of goods increased from 315,000 tons in 1922 to 11,393,000 tons in 1982, i.e., 36-fold. Yet the share of water transportation amounts today to a mere 0.7 percent in transportation and 3.8 percent in transportation output. At the same time, the share of water transportation in the total volume of goods transported in other European countries is considerably higher--37-40 percent in Holland, 9 percent in the FRG, 5 percent in France, around 3 percent in Yugoslavia, approximately 2 percent in the GDR and the USSR; only in Poland and the CSSR does it range around 1 percent. According to current thinking it is envisioned to increase the output of water transportation to 6.8 percent in 1990 and to 8.8 percent in 1995, which in transportation of goods represents 1.14 to 1.54 percent respectively.

For accelerated development of water transportation in the immediate perspective, as stipulated by the 16th CPCZ Congress, it will be necessary to provide for its proportional share in the transportation system, allowing for appropriate reduction of demands on energy-intensive transportation sectors while keeping growth in railroad requirements within limits that would not overtax track capacity. If there occurs a shift in bulk goods from overloaded key railroad tractions to waterways, it will become possible to transfer transportation of other cargo from the highway to the railroad and thus contribute to creating more favorable proportions between railroad and highway transportation.

The social contributions of water transportation shall keep increasing in the coming years. The planned integrated navigational network in the CSSR will provide relief for both of the key railroad tractions. Its construction will utilize natural water streams and water management projects constructed in the past, so that the specific investment costs for construction of additional sectors of the navigational network will be lower than for providing similar transit capacities on highways or railroads. As a result of making use of natural water surfaces, water transportation also poses lower demands on expropriation of agricultural acreage and also facilitates utilization of hydraulic power, supply of water into shortage areas, irrigation, etc. In so doing it can also have beneficial effects on the environment.

8204  
CSO: 2400/318

## MEAL PROGRAM FOR SHIFT WORKERS EXPANDED

East Berlin PRESSE-INFORMATIONEN in German No 62, 31 May 83 p 2

[Article by Manfred Merkel, deputy minister for trade and supply: "Significant Progress in Worker Care"]

[Text] The most essential aspect of worker care is a program which provides well-balanced and tasty hot main meals and an adequate variety of snacks for workers on all shifts and in all plants. It includes a quality environment conducive to the enjoyment of meals and drinks during breaks. All these things promote the desire and willingness to perform well and also promote the health of workers.

During the last few years significant progress has been made in worker care. Whereas in 1972 the number of workers who ate well-balanced hot main meals daily at their plants and shops stood at 3.1 million, today's number comes to approximately 4.2 million. In other words, about 8,000 company kitchens supply meals to 67 percent of all the workers. In companies which have their own kitchens the percentage is even 72.6 percent. Due to the increased expansion of territorial cooperative relations, the number of workers participating in the meal program doubled during the last 10 years in small and medium-size companies that do not have their own kitchens. At present, 60 percent of these workers eat a warm meal at their plant.

On the average, workers pay 0.90 mark for a meal. Companies and combines add an average of 2.00 marks per meal from company funds.

During the last 5 years the supply of snacks and refreshments available during break periods expanded rapidly. Many workers are making use of it. In large industrial enterprises the number is up to 80 percent, for instance, in the Oberspree Cable VEB "Wilhelm Pieck," the industrial lathe manufacturing concern "8 May" in Karl-Marx-Stadt and the heavy machine construction combine "Karl Liebknecht" in Magdeburg.

### Special Attention to Shift Workers

The main target was and is the care of shift workers and those workers who work under difficult conditions. More than anybody else, they deserve to be well taken care of. During the last 10 years, the percentage of all night-shift workers who participated in the meal program rose from 30 percent to

67 percent. At present the majority of plants guarantee the availability of a hot main meal as well as a snack to every worker who works at night.

For approximately 20 years, retailers have proven themselves reliable partners when it comes to supplying construction and assembly-line workers with meals on location and in housing facilities. They also supply a selection of goods for everyday needs. Construction workers are being cared for at approximately 300 construction sites in the GDR and also at the central FDJ youth project, the "natural gas road" in the USSR.

Comparisons which were conducted in counties and districts of services provided for shift workers revealed a multitude of good experiences. Their general application received an additional impetus through the exchange of experiences with representatives from approximately 300 combines and plants which was conducted on 31 May 1983 under the direction of the Ministry for Trade and Supply.

The decisive criterion in worker care is quality and it applies particularly to the care of shift workers. As a consequence, the offer of hot main meals is to be increased in variety by using the available foods more imaginatively and preparing regional and international dishes, a wide selection of soups, appetizers and desserts and by including, above all, a choice of filling side dishes. Of equal importance is a loving and aesthetic arrangement of foods and an attractive selection of snacks and refreshments, and the standard should at least be equal to the one that prevails in the care of day workers.

#### Kitchen Commissions Control Quality

The kitchen commissions of the labor union can also contribute a great deal to quality. The workers are satisfied in those plants where these commissions operate actively and implement regular controls at night. This is evident, for instance, in the kali and rock salt VEB "Saale," the Ruedersdorf cement works, the power plant facility combine and the special vehicle works Berlin-Adlershof.

The quality and effectiveness of supplying the night shift with hot main meals and snacks and refreshments are significantly influenced by the preparation of dishes. In this respect there are a number of possibilities that have been successful in practice. With this in mind, the fresh preparation and immediate distribution of food will also be the most widely used procedure in the future. Centrally prepared dishes which are delivered to plants in portable containers, particularly to those that do not have their own kitchens, or a combination of fresh and frozen foods, for instance, in the rolling mill VEB Hettstedt, met with success.

More and more plants are switching to frozen foods when preparing meals to meet the needs of their shift workers. At the present time, approximately 60,000 portions of frozen food are prepared daily for distribution to the workers.

Under the direction of local councils, approximately 150 interest groups and associations were formed during the last few years. They contributed significantly to the good development in worker care. Above all, they were

instrumental in promoting the inclusion of additional small and medium-size companies and overcoming still existing differences in standards. The degree of service is between 85 and 95 percent for night-shift workers in the membership plants of these associations.

8991

CS0: 2300/299

## LONG-TERM ECONOMIC DEVELOPMENT POLICY PREVIEWED

Budapest GAZDASAG in Hungarian No 1, 1983 pp 5-20

[Article by Laszlo Koszegi, head of Main Department for Long-Term Development Policy of the National Planning Office: "Economic Policy--1980-2000"]

[Text] In progress since 1979 and with a large number of specialists involved, there has been planning activity seeking an answer to the question of how best to lay the foundations for the production sector<sup>1</sup> to achieve our basic sociopolitical goals under the changed and still changing external and internal systems of economic conditions. These goals include the stability of external and internal economic balance, an increase in income-producing and export capacity, maintenance of the results and the achievements attained with respect to standard and circumstances of living, and their gradual improvement. The difficulties in planning, and especially in long-range planning, are enhanced so that, in a very changeable world-political and world-economic environment, in the midst of an "epochal change in the world economy," a strategy must be formulated to solve jointly two problems which are very complex and difficult even when considered singly. They are: 1) a changeover to the new course of growth [U], to a more rapid evolvement of the intensive aspects of our economy and economic development--emphasizing qualitative demands in contrast to quantitative ones; 2) an alignment with and adaption to the new circumstances arising from the changed foreign economic conditions and from the world economic reorganization which is taking place.

We are in the last--synthesizing, summarizing-phase of the long-range planning activity for the 1980-2000 period, and many problems still remain to be controlled and answered. [U] The conclusion of this work and the release of its findings for a broader social debate can be expected by the first half of 1983. Based on the planning activity already completed and on the debates, many basic correlations of the long-range development in the production sector can already be evaluated or rather, the dilemmas and problems to be weighed and/or requiring additional foundations can be outlined.

A survey of even a rough outline would greatly exceed the scope of this article.<sup>2</sup> Questions requiring and meriting independent discussion would be: how we can realistically evaluate, today, the external politicoeconomic, scientific and technical environmental conditions for long-range development, and our

possibilities and limitations to adjust to them; what endowments and comparative advantages can be built on for developing our integrated foreign economic production increasing technical-development strategies; how the national economic role and function of the individual, large blocks of production, such as industry, food management, infrastructure, etc., or rather the trends and conditions of their "internal" structural-technical-effectivity changes should be shaped, and what dilemmas and problems develop in this respect. But the question of alternatives, or of the suitable and possible division of labor among the market mechanism, the enterprise sphere and the national sphere, in accomplishing the production-increase policy, can also form a complex, independent range of problems.

Acknowledging the danger of unavoidable one-sidedness and an improper presentation of the correlations, I wish to raise a single question from the entire problem complex: by what course, and by the use of what production policy strategy can we get from the current situation to a more mature level of economic development, where establishment and achievement is a basic social requirement as regards the development of the production sphere. Thus, it is the unequivocal conclusion of the planning activity that a "rallying" from the current, difficult economic situation is possible only in the following directions: a considerable improvement in the effectiveness of our production in the relative—to the expenditures and among them especially to the raw materials used and capital tied down—income and foreign exchange-producing capacity of our economy, and within it especially of the competitive spheres<sup>3</sup> and its international competitiveness and adaptability. This would also be true if the foreign economic situation were to become more favorable than it is today. It is all the more valid should conditions similar to the current ones or less favorable ones develop.

Naturally, there can be several approaches with respect to the "course" to be followed—and indeed there are. The strategy outlined in the following is one among those possible—and still to be examined—although, in my judgment, this is the most realistic in view of the current situation, and the external and internal conditions and requirements which can be forecast.

Based on the planning activity already accomplished, some basic strategic requirements and trends—for the next two decades—have been unequivocally outlined.

With respect to the development of the production sector, one of them is that a reasonable attachment to the global currents of the scientific-technical revolution and, furthermore, our technical catching up...is an important prerequisite for our entire economic development. In this area, it is justified to use a "followup" strategy which promotes the rational exploitation of "breakthrough" type possibilities—based on the results and discoveries of certain important domestic research and on the favorable domestic intellectual background in certain areas. While relying on the previous approach, an effort must be made to introduce production methods which save energy and materials, also modern methods of production organization, and to accelerate product development and structural change, because these will become fundamentally important conditions and means for moderating the import and capital

burdens, and for competitive and economical production. Our progress in effective development of production depends largely on how efficiently we will be able to exploit the growth effects to be gained from a more profound international division of labor. To strengthen our foreign trade connections, in every main relation and in every possible and advantageous form, will be our important interest and task.

With respect to certain large "blocks" of the economy, it is unambiguous that it is both in our social and economic interest to more fully utilize the biopotential, to develop food management in such a manner as to continue to retain its current role as a socioeconomic and external balance stabilizer in the future and, in addition, to increase its level of contribution to the national product. At the same time, industry and—because of our endowments and of the changes in external conditions—above all, the processing industry must assume an increased role in profitably supplying the economy with modern industrial products, in achieving and maintaining the foreign trade balance, and in providing the foundations for the necessary economic dynamism by means of effective production-marketing activity.

Development of the infrastructure and elimination of the existing severe disproportions and backwardness are an important requirement throughout the period and are also an indispensable prerequisite for effective progress in the above areas. The same is true with respect to the technical organizational and economic improvements in building activity. The exploitation and basic material branches—building also on a purposeful international division of labor—must strive for a more up-to-date and more effective supply of domestic needs in the future. In energetics, being prepared for the safe and economical supply of national economic demands must continue to be the most important task—increasing to a rational extent the ratio of domestic sources (coal, uranium ore) in the energy consumed.

The effective development and restructuring of the production sector requires the modernization of economic guidance (planning, regulation, institutional system), the perfecting of central economic policy and economic guidance as well as the relationship among the enterprises, and the contents and methods of division of labor; furthermore, a considerable development of internal enterprise organization and production and market organization activities.

[4]

Based on the forecasts and analyses regarding the expected changes in external and internal conditions, the two decades from 1980 to 2000 can be divided into three phases—not divided by rigid lines but, nevertheless, characteristically different from each other.

These are: 1) the next few years, roughly the first half of the 1980's; 2) the period from the second half of this decade to one-third or up to one-half of the 1990's; 3) the period until the turn of the millennium. The general developmental requirements and strategic directions and goals outlined can manifest themselves and can be asserted in peculiar combinations and with different emphasis in these phases. These will be surveyed in the following.

## The Period of Reestablishing Balance

The first period--which is slowly reaching its midpoint--is very unfavorable from the foreign economic aspect. In world politics, the strong "cold wave," the world economic recession which is proving to be lasting, the massive unemployment in the Western world, the massive indebtedness of many countries, the relative restriction of "oil money," the deepening crisis of the international monetary system which is also related to the previous list, the low economic growth and the sudden halt in the advancement of world trade, the various forms of protectionism and discrimination, and the forceful reflection of all these within CEMA, etc., have produced particularly difficult conditions for our economy.

These conditions are accompanied by our internal problems, such as the objective limits to the conversion of production capacities, the mediocre technical level of industrial products, the overly large expenditures by international comparison, inadequate competitiveness (especially on the hard-currency markets), the inadequate income-producing capacity of the food industry, the backwardness of the infrastructure and the background industry and, not last, the effects of an economic guidance which makes effective management and a clear economic view difficult and, in many cases, puts a brake on entrepreneurial conduct.

In this situation, it is under increasingly more difficult conditions that the methods have to be found by which we could accomplish the two-fold requirements formulated in the Sixth 5-Year Plan: stabilization of the external balance situation and maintenance of the standard of living in its societal dimensions. All these during a period when maintaining the ability to repay foreign debts is putting increasing pressure on the economy and on society.

As a matter of fact, the following two-fold "magic circle" characterizes the current situation:

--The unfavorable tendencies which have developed in foreign economic conditions and are still in effect, and also, that we are capable of reaching only a very moderate rate of economic growth because of our unsatisfactory adaptability and competitiveness. This slow growth, in turn, can furnish a base for only slackening internal consumption and more restricted hard-currency imports--in the midst of both the requirement, arising from the side of solvency, to stabilize the external balance factor, and the deteriorated money-market conditions. The significantly narrowing accumulation--parallel with forceful limits to technical imports--makes possible only a more restricted and, especially in relation to the structural-effectiveness requirements, unsatisfactory degree of technical and technological renewal. An important factor here is the rigidity of the capital-allocation mechanism and its insufficient effectiveness, furthermore, the unfavorable determination of investments according to branches (the large investments currently in progress are concentrated in energetics and in the exploitation and basic material industry), and also the deteriorating effectiveness of resources, a necessary accompaniment of the "transition."

On the other hand, the stagnating or more restricted internal consumption makes it possible to provide more perceptible material inducements only within modest limits to intellectuals and trained workers who are in a key position with respect to furthering both more socially useful, initiating-entrepreneurial activities and progress as a whole. This undoubtedly puts a brake on the evolution of the innovation and productivity-improvement process. This is accompanied by an unsatisfactory degree of workpower flow toward enterprises with more effective material production, on the one hand, and into the service sector, on the other hand.

These further diminish our competitiveness and, finally, from the aspect of export restrictions, they negatively affect the possible rate of our economic growth.

In the long range, the requisites for competitiveness, especially in the competitive sector, are: enterprise independence, assuming risks by the enterprise and, its foundation, a more stable national economic environment with better forecasting possibilities than currently available. Instead of the steady "help" given to those who mismanage for nonobjective reasons, national development and economic guidance methods should also be employed as a means to promote effectively functioning organizations so that they can make a "breakthrough," and can stabilize and reinforce their market position on a long-range basis; thereby the conditions will also be given to gradually push back and eliminate poorly functioning enterprises without social trauma. These days—as a result of the "manual guidance" objectively and temporarily necessitated by the balance and solvency requirements and problems mentioned—an ad hoc type of economic regulation and economic management practice, corresponding only in part to the above requirements, has come into force. This method is unavoidable from the standpoint of short-range national requirements and goals. But if it were to be used on a permanent basis, this could also have an unfavorable effect on the possibility of breaking out of the "magic circle."

Based on current knowledge, significant improvement in the situation outlined above cannot be expected in the very near future, possibly not even within the next few years. What can and must be done, first of all, is the more forceful selection of effectiveness—competitiveness (mainly) in the competitive sector and, within it, in industry but this should also be reflected in more narrowly or loosely associated national economic areas. It is possible, even certain, that production and exports with low effectiveness will have to be maintained in the next few years. But at least it must be required that we know about their relatively low national economic effectiveness, and that those who work in these fields should also know and "feel it." The unreasonably prolonged conservation of these activities can be avoided only in this manner. (The "measure" must insure that an activity with low effectiveness should be profitable to the enterprise only to the extent and length of time necessary.)

It is also probable that during this phase the foreign market, price and internal production-guidance-interest conditions will provide better conditions in the food economy, compared to industry, for adapting to demands and

circumstances, for increasing the export and foreign-exchange yield. Therefore, the disproportionately great "burden" and stress on the food economy, from the side of external balance, can hardly be expected to slacken.

A solution to the previously mentioned problems, above all, presupposes that in the economic guidance system the elements contradicting long-range requirements should prevail only in the most needed cases even during this transition phase.

Economic guidance did subscribe to this requirement. [3] Further, it is necessary that we utilize this period with the greatest possible intensity for a well-planned preparation for the modernization of economic guidance in the broader sense, and for the gradual, possibly block-by-block introduction of mature measures. [4]

This would be important because, in this manner, essentially without investment and increasing import burdens, and essentially without limitation from the foreign economic-foreign policy environment, we could gain an effective lever which, with the liberalization of creativity, involvement, sense of responsibility and initiative, is difficult to express in number. But, in my judgment, it would liberate a significant additional source of power which could contribute to a "breakthrough" in the direction of the long-range goals.

The adaptation to world economic conditions, the structural renewal and the effectiveness requirements in the various enterprises, in certain social groups or in certain families will reinforce and bring to the foreground clashes of interests more so than before. It is of important social and economic interest to increase the tolerance for clashes of interest and to improve the dissolution mechanism of contradictions. On the one hand, this requires the improvement of cooperation among the enterprises and economic guidance in the spirit proposed by Ferenc Kozma in this article [4]. (It should be noted that relatively many enterprises also collaborated with the long-range planning activity, in part in the form of working out partial conceptions, in part by judging and discussing these.) At the same time, this also presupposes the institutional advancement of social life and, within it, of the planning, organization and democratism of the economy.

It is also an important, additional requirement that even in the difficult and, in many respects, compelling situation we not lose sight of the tasks needed to build the base for the entire two decades of development, including the required economic policy attitudes, even if temporarily these can only be realized in a limited fashion. Above all, this refers to certain developmental trends in the infrastructure, to the collectives including the telephone network-computer technology and information, to the basic transportation network, to the adaptation of the contentual-organizational-technical framework of education-specialist training to the increased quality requirements, and also to the most important technical advancement processes.

Finally, I should stress the importance of not making decisions which would unnecessarily, further narrow the space for economic policy actions, for instance,

in the form of certain strongly capital-intensive, long-range (energetics, exploitation and basic material industry, or other) state developmental programs or agreements.

#### The Period of Changing Over to the New Developmental Course

Actually, this is the period when--hopefully and expectedly--in contrast to the excessive determinations of the most recent years, a longer-range developmental strategy can indeed be more freely realized and evolved for the renewal of the economy--the production sector--adjusted to a higher qualitative and international effectiveness-competitiveness scale. (Although this requirement must already be effected today, as far as possible.)

The main trends of the development are still under debate. Some expect development from a strong infrastructure-oriented trend. They note that this requires relatively lesser (capitalist) import and it could also fulfill a stabilizing and growth-accelerating function in economic development. In addition, development of the infrastructure would also improve the effectiveness of production. Finally, considering the stagnating standard of living, the development of basic services would improve the general mood of society, possibly even more than advancement based on increased product consumption.

Others expect development from a strategy based on food management. Their presumption is based on the better competitiveness (compared to industry) of food management given in international comparison, and on its decisive role in reestablishing the hard-currency during the years past, on its greater flexibility compared to industry, and on its favorable market and price conditions.

These are those who--for various reasons, treating the processing industry as a more-or-less special case--consider, first of all, the renewal of industry as the basic line of strategy which brings with it primary growth and leads away from today's problems. (Their justification will be discussed later.)

According to some, it is unnecessary and pointless to form a strategic center of gravity of the previous "branch of activity" type. Of decisive importance is the formation and consistent assertion of a demand system of defined stiffness and normative effectiveness-export capacity in the competitive sector. In this case, as a result of the actual market, expense, price, etc. bases, and enterprise adaptation to them with varied success and rapidity, it will finally evolve, as a sequel to the regulated market mechanism and enterprise decisions, which branches and with what weight and with what inner structure can serve as actual bases and levers for the satisfaction of the general sociopolitical and economopolitical requirement and goal systems. Naturally, in the noncompetitive sphere--also because of the effectiveness of the competitive areas--this concept, too, does not question the state's role in the determination of necessary developments and the usefulness of the assertion of certain central state interventions and preferences, primarily of the infrastructural sphere of production in its broad sense, such as research-development, education, eventually certain basic material and energetic background, etc.

It is my opinion that each concept and argument deserves attention and contains many important elements of the production development strategy to be asserted. But they are also characterized by a certain one-sidedness and by their disassociation from the determinant and requirement frameworks of actual fundamentals and conditions. Thus, just to cite a few possible counter-arguments, infrastructure orientation by itself does not represent a solution with respect to the lasting improvement in foreign economic balance because it does not allow for a meaningful improvement in export capacity. In this context, the role of food management could indeed be important. But in past years, even this was unable to significantly strengthen its position on the developed, capitalist markets, and even the developing markets are increasingly becoming competitive markets. In addition, food management has achieved its success while having made concessions in the enforcement of effectiveness and income-producing requirements. The question is whether such a mode of development can be accepted for the duration.<sup>4</sup>

However, if we consider not the "increment" but the total foreign-exchange yield and the national product, then the weight of food management cannot be determined, moreover, it is decreasing. This is also signaled as an unavoidable process by prognoses and conceptions regarding the future. Therefore, the rate of income production and economic growth needed for social policy goals--and certainly more dynamic than at the present time--must necessarily be based on industry and, increasingly, also on services.

At the same time, the optimistic and ambitious evaluation of the possibilities of industrial production and export development, as reflected by the partial industrial conceptions already worked out, unfortunately, cannot be very much confirmed either by the decade of the 1970's or as reflected by the actual achievements of the past few years. Moreover, in the light of increasing market demands and the slow adaptation of industry thus far, doubts are justly raised in certain people concerning the future.

Finally, the question is also raised: Is it possible and is it permissible--either in the competitive sphere alone and, within it, also in the processing industry--to rely on the market mechanism alone (also in its nonextremist concept) for the development of the production structure and the intensive characteristics of advancement? Need not more be done and need we not also think in terms of a more concrete strategic goal and resource system when we weigh the developmental tasks of 15-20 years?

I think, to be able to answer these questions, we should survey a few developmental data revealed by the planning work and the conclusions derived from them. Let us begin with the last question, that is, with a regulated market mechanism functioning better than today, and its effective structural selection results. In my opinion, the further development of the economic guidance system is the primary and indispensable prerequisite for any kind of progress. But I do not consider this sufficient even if we could achieve relatively rapid results in this area--although this appears probable on a larger scale more in the second half of the 1980's, and the effect of the changed guidance methods would probably evolve several years later.

Furthermore—and this is decisive—the modernization of economic guidance can only be accomplished in tune with the social and economic policy goals to be achieved in the long range. Therefore, I consider it unavoidable that, in the framework of the long-range economic development strategy, we will also come to the definition of the state economic policy attitude, the developmental priorities to be asserted, and of the criteria for situations and cases requiring state intervention. (Drawing a lesson from the negative experiences with the central developmental programs, it will, of course, be done in a considerably different manner and character than in the past period.)

A "breakthrough" in the direction of advancing the economy to a more mature, internationally more competitive, level takes place in a differentiated manner in individual areas of the production sphere.

Our exploitation and basic material industries—although they can contribute much to the realization of structural and effectiveness requirements, and can also play an increasing role in the economical supply of domestic needs—cannot be the bearers of the former strategy because of our known natural limitations and our comparative disadvantages existing in the exploitation and basic material production spheres. This is reinforced by the economic demand and endeavor that, in order to better utilize our natural resources and endowments, our raw materials (for instance, aluminum and copper) should be marketed in the form of more valuable, finished products.

By utilizing the biopotential, the food industry can significantly improve its productivity. In favorable, moreover necessary, cases, it can also improve its foreign-currency earnings. But there are agroecological limits to the expansion of production. Taking this into consideration, by the year 2000, the amount of cultivated plant production can be increased 1.6- to 1.8-fold compared to the yield in 1980. But even this increase can be achieved only by more extensive use of implements. Therefore, averaged over a 20-year period, an increase of about 2 percent in agriculture and about 3 percent in food industry production per year can be considered realistic. Furthermore, it seems that there is an inverse relationship between production increase—export increase, on the one hand, and structural changes to improve relative income production and export profitability, on the other hand. These lead to my opinion that—considering also its ratio within the public economy—neither can this sector be the carrier of a "breakthrough strategy" during this phase.

Although I myself also consider it very important to develop the infrastructure, to bring it in line with demands and to improve its income-producing capacity, I do not believe that by itself or—as others presume—jointly with the food production, it would be able to compensate for our current, inadequate industrial production and that it would be able to provide the foundation for a necessary change in course.

These considerations lead to the conclusion that an improvement of the competitiveness of the processing industry,<sup>5</sup> its market flexibility, technical modernization and effectiveness, and also a structural renewal adapted to these

requirements must be at the center of the production policies of the 1980's (referred to as the second phase).

This is indispensable because:

--it represents the "weak link" in an international comparison, and other production areas cannot substitute for the processing industry in our economy;

--a modern processing industry forms the basis for the expansion of modern techniques in service of the modernization of the food industry and infrastructure, the supply of the population with more modern consumer goods, environmental protection and the thrifty utilization of materials, energy, water and labor;

--it is also a significant requirement for strengthening our position within CEMA. The economical production and export of modern products, well attuned to our endowments and, simultaneously, to the demands and narrow cross section of the partners—especially the Soviet Union—and to the goals of moderating and supplanting the dependency on hard-currency imports, will be an important prerequisite for moderating the worsening exchange rate in foreign trade and also for obtaining needed and similarly up-to-date products and basic materials and advantageously through such a relation.

The introduction of this strategy I consider justified also because more than nine-tenths of our current industrial exports consist of products which are increasingly exposed to competition from industrially developing and South European nations. This is true primarily on the markets of developed capitalist and solvent developing countries, but it is increasingly expected also on socialist markets. In the case of an "opening," which will become necessary with time, we will have to face competition from these countries even at home. And these countries can participate in the competition on foreign markets under, in many respects, better conditions, such as the level of wages, the possibilities of getting to capitalist markets and integrating production, and the conditions of obtaining modern technology; also, their lower costs also exert pressure on the price level of these moderate-technology mass products on the world market.

If during the next decade—that is, after the 1970's and subsequent years, also during the second phase—we lose ground or momentum in the process of the epochal change in the world economy, this could have serious consequences for our overall developmental possibilities and world market position. The question for us is: whether we will be able to rapidly approach—and in certain areas reach—the level of readiness and demands of technology-effectiveness-competitiveness in the most advanced nations, or we will drop back, relatively, to the grounds of "moderately developed" economies which will be joined from below by many additional developing countries by the turn of the millennium as a result of the relatively more favorable competitive conditions mentioned. From the aspect of following our sociopolitical goals, not being able to react to this "challenge" would represent too great a danger and risk.

Therefore, I feel, it is indispensable that the implementation of a production policy aimed at straightening out the processing industry should start as early as possible during the 1980's, including the development and application of strategies promoting this process in other areas of the national economy.

### The Content of the Strategy

Adaptation to the requirements of profitability and up-to-dateness of developed markets is a generally valid requirement in technology and technique as well as in methods of production and market organization of the processing industry. In the sphere and level of products and associated services, and in the production and export structure, however, a flexible and expedient adaptation to the various market demands and possibilities is necessary, including the demands of the Soviet market.

A forceful selection must be carried out in the interest of an increased flow of developmental resources, research and development R&D possibilities, importation of modern technology and intellectual potential toward market-oriented, long-range and effective production and export areas.

An equally basic role is played by a national economic environment influencing the formation and realization of enterprise strategies, by a strict system of requirements transmitted through economic guidance-regulation, by closer contact with the markets, and by the enforcement of central developmental priorities and preferences. The latter should be aimed at a narrow range, more at functional and complex technological-innovation blocks □ than at "branches" and it should be designed in a well-thought-out, timely manner, also taking into account the conditions of its realization.

Development and retrenchment must be handled as an organic unit, using the latter to free resources for effective and competitive, market-oriented activities in the processing industry. Expansion of the international division of labor is also an important factor in this respect; the assertion of a joint strategy for active production specialization-cooperation, product development and market integration with respect to the CEMA, developed capitalist and certain developing nations. At the same time, we must build more extensively for an economical satisfaction of demands for modern products (materials) in the domestic market, especially in those areas (for instance, food production, the background industry in its broader sense, certain areas of the infrastructure, etc.) where this also might form the base for profitable and competitive export activities including favorable intellectual export (for instance, systems export, services) later on.

In technical development, in the molding of technological structure—also because of its multiplicative effect—increasing the rate of the spread of electronization, especially of automatization-robotization, the development of information technology and its use in products will be of particularly great importance. The processing industry—more broadly, industry—must participate in this process in rational directions and measures (building

rationality on the possibilities of the international division of labor) also from the side of production supply. The development of modern machines, installations, instruments and technologies to rationalize the use of energy and materials and to moderate environmental harm must become one of the basic trends of technical development. Similarly, a timely preparation for the expansion of the application of biological technologies is also needed.

In other industrial areas, those qualitative changes must be basically stressed--by simple quantitative expansion and by structural changes aimed at self-serving "vertical balance," as opposed to baseless export orientation--which could form the base for an advancement of the processing industry in the direction mentioned above (the national economy as a whole) by means of better and more economical structural materials, intermediaries and auxiliary products, packing materials, etc.

At the level of industry as a whole, the basic requirement of such a strategy (together with identical endeavors to be applied in other areas of the national economy) is to form the base, from the technical-technological side, for a strong moderation in specific energy and material usage. Reflected as GDP [gross domestic production], this presupposes the achievement of an 0.4 or even lower flexibility value in the fuel consumption of the national economy.

The high share of the energy-basic material block in national economic and industrial investments can be moderated only if, in addition to satisfying the dynamically increasing household demands for electric power, an annual growth rate not exceeding 3 percent is developed and the level of steel utilization becomes stabilized or, eventually, more moderate. Thereby additional sources of power can be freed for the processing industry.

At the same time, because of the hard-currency needs of the national economy, we must count on having to maintain--if marketing conditions are favorable--the industrial production of those less profitable products whose long-range replacement must be considered. (This two-fold goal must be taken into consideration when development-management conditions are set for these.)

From the aspect of achieving the effectiveness-structural requirements mentioned, it is a favorable situation that, during the first few years of this period, there has been a moderation in the labor supply on the national economic level and that the supplemental activities of agricultural industries and the economic enterprises-work cooperatives are expected to tie down a relatively significant part of the work force.

This makes it possible--with the expected, more moderate labor-energy capacity of the service sector because of budgetary restraints--for labor productivity in large industries, including the processing industry, in mutual interaction with technological-production organization-structural movements, to grow in a relatively dynamic manner, at a rate surpassing that of the developed countries. (In this--large industrial--sector, this growth can approach the total industrial growth value of the years between 1960-1978, even a round 5 percent annually which, with a 3 percent growth in production, could mean a

2 percent reduction in labor.) During the second part of the period—after 1987-1988—the labor supply is expected to rise. However, with the improved budgetary possibilities based on the more favorable economic achievements, services will be in a position to employ a greater part of the liberated work force by then. Thus, there are indications of the possibility of a further, essentially dynamic increase in industrial-processing industrial production. This—as the function of production-increase dynamics based on market possibilities plus technical possibilities—can result in a further lowering of the industrial work force.

In the food industry, with respect to output and spending, this strategy would require that two demands be satisfied: namely, a further increase in production and (after an adequate level of internal supply) exports—including hard-currency exports—and, in comparison with the current level, a similar or possibly even slightly increased participation in the burden of earning hard currency needed by the national economy. But this should be done in such a manner that its earning capacity improve, if only moderately, and that its share of the national economic developmental resources and of the imports paid for with hard currency not be larger than currently; if necessary, it should possibly be even somewhat lower whereby additional resources would be freed for a faster rate of modernization in the processing industry.

This would probably have a price insofar as, during this phase, we would have to be satisfied with a relatively slow improvement in the income-producing capacity of the agrarian sector while the sphere of less profitable exports would be considerable—mainly in hard-currency exports—and the domestic-producer-cost price level of foods would also remain relatively high. On the other hand, based on market forecasts, the food industry can have a greater chance for increasing exports, even in the 1980's, than the gradually "improving" processing industry, which is fighting more stringent market conditions (or other industrial branches where, as mentioned, a "massive foreign-currency" requirement can also play a role during this phase).

In my opinion, the above-described requirements from the food industry are not unrealistic although they are not easily fulfilled. We can count on the production-technical experiences accumulated in this branch of the national economy, on the level of technical, organizational, guidance and management already achieved, the entrepreneurial capacities and also the not yet exploited reserves of effectiveness.

I think that it would be possible to satisfy the "very stringent" requirements mentioned by building primarily on the following factors:

--Improved utilization of equipment in large industries; favoring low-capital developmental solutions, low-energy, in general low-expense—eventually relatively more labor-intensive—production methods and organizational principles; improving professionalism and, in the service of it, the establishment of a system of inducements-interests within the plants.

The greater utilization of byproducts and wastes, a higher grade of processing—achieved also with considerably simpler improvements—is justified

in every area where the market provides a base for it and where this would raise the amount of obtainable hard currency within an acceptable marginal national economic effectiveness.

--To counterbalance, in part, the socially necessary maintenance of relatively less profitable and lower yield activities in export and in production, and eventually their expansion, one must count on a considerable increase in side activities and their expansion. The regulatory, interest, etc. conditions necessary for this--in directions and within forms in tune with national economic expediencies--must also be insured.

The expansion of intellectual exports directed toward the socialist and developing countries--in the form of complex agricultural and food industrial systems, etc.--can also be an important factor in increasing foreign-currency income and in improving export profitability.

--The mobilization of small-scale production, its cooperation with the large enterprises, and of the considerable reserves and possibilities for increasing production and export and for improving effectiveness which appear in the various production-development-marketing associations. In certain branches of production, the further increase of the role of small-scale production during this time would make it possible to expand production and export with relatively lower investment and business expenditures compared to large enterprises. In addition, this would promote the expansion of the export of special products which sell well on capitalist markets--they are labor intensive, are produced in the traditional manner, are offered in small volumes individually but can reach considerable value in their totality.

--An important factor--a requirement and also an expanding possibility built on the given strategy--is for domestic industry to insure modern and economical materials (chemicals, packing materials, etc.) for the food economy, as well as machines, installations and parts. Thereby the demand for capitalist imports can also be lessened.

--Because of the scarcity of developmental resources, the improvement, irrigation, water regulation and forestation programs also ought to be handled selectively. First of all, investments with faster return--and the most urgent ones--should be completed while those requiring greater capital investments, eventually carrying higher risks, or those programs, renewal-construction-development goals which can be delayed without unfavorable long-range consequences, should be accomplished during the next phase if possible, or at least during the last years of this second phase. We should strive to obtain additional resources from international organizations for such goals.

--In the framework of the general development of economic guidance-regulation, taking into consideration the requirements derived from the special conditions of agriculture and from the countering of agrarian policies and agrarian protectionism introduced by foreign competitors is also an important factor and condition for realizing the strategies under discussion, to satisfy the very high requirements established for food management.

Development of the infrastructure is an indispensable element of the strategy described because it plays a big role, not only in the standard of living and life circumstances of the population, but also in the changes of the effectiveness of the producing sector and processing industry.

In this phase, the requirements for a moderation of the absence of accord between the material production sector in its narrower sense and the level of advancement of the infrastructure can--presumably--be better asserted than during the first phase. It should be set as goal to have its share within the national economic investments be increased by 1 or 2 percent. Progress greater than this can be made--and this is a requirement--in those areas where a better supply of work force, a more attentive and flexible organization, a more reasonable coordination, etc. can also result in measurable quantitative and especially qualitative advancement. The increased employment of local (from enterprises and population) developmental resources--as a result of improving income-saving conditions compared to the previous period--becomes possible if this is done for realistic goals which are also important to the social strata directly affected. At the same time, the integrated utilization of networks and capacities built parallel to each other can probably be employed only in certain areas--for instance, in vacation facilities, social-cultural establishments, etc., at this time.

Above all, those elements of the infrastructure which are more directly associated with the development of the processing industry should be modernized and expanded. Thus, especially the integrated system of the information (telephone, telegraph, computer technology, telecommunication) network should be advanced both in quality and quantity because this is one of the important preconditions for market orientation and modern production and market organization. In addition, greater advances should be made especially in the middle and higher level training of the work force, as well as its retraining to acquire the attitudes and aptitudes necessary for the acceptance and application of the modern electronic-computer-information techniques, and also in the teaching of foreign languages. The rational development and more effective utilization of intellectual potential and also--beyond its regulatory-interest conditions--the renewal of R&D activity, technology and product planning, in general, technical-economic planning and the associated educational-research institutions in an up-to-date manner, on the basis of microelectronic-computer technological technical and organizational foundations, and also the promotion of the innovation process are tasks of fundamental importance.

The development strategy of the third phase can rely on better competitiveness, on a considerably higher technical level, especially of industrial activities related to the processing industry, in comparison with the current level, its better income-producing and foreign currency-producing capacity and also on significant changes in certain industrial areas. The groundwork for all of these was built during the previous phase, mainly in the first phase.

This could probably serve as foundation--especially in the case of the favorable foreign economic conditions forecast--to a somewhat more rapid growth

dynamics than earlier (over 3 percent in the net national product, up to about a 4 percent average yearly rate in industry).

Domestic consumption can increase essentially parallel with the increase in the national product but possibly—in the case of favorable world economic conditions and because of the increased rate of "delayed" developments, intended for future yields—it can even surpass it somewhat. But, considering the internal conditions, all these can occur only if the technical-effectiveness-structural-competitive "foundation" work makes a dynamic improvement in productivity possible in material production—and also in management in its broader sense. That is to say, this can be used to counter-balance the massive decrease forecast in workpower—roughly from 1995 to the end of the century (and even more after that); in addition, only in this manner can additional workpower be insured in favor of the service, and R&D sectors.

During this period, more decisive and more broadly based progress in the infrastructure must be expected, both in its population and material sector. To promote this, within the national economic investments—anticipated to an increasing measure—the share of the infrastructure should justly be increased to 52-54 percent. In addition—through the better income conditions—the sources to be used for this purpose can also be expanded from the increasing local (enterprises and population) savings. Nevertheless, the demands can hardly be satisfied in every area. For this reason (also), it will be very significant to moderate the unjustified demands on the infrastructure, derived from bad organization, settlement policies, heavy material and water usage, and unreasonable price and tariff systems. Furthermore, based on the technical generational change accomplished, the rational integration of parallel telephone networks and other parallel capacities, and the continued emphasis on periodical development in certain areas of the infrastructure will also be of great importance.

In the competitive sector, increased attention will be paid to delayed developments in the food economy, such as improvement, technical modernization, expansion of storage and processing capacities, etc. We can also count on greater possibilities with respect to the modernization of raw material production, production-concentration and, in part, capacity-expansion developments. Furthermore, by the millennium, we will get to modern energetic developments (such as, possibly, the construction of an atomic power plant based on the breeder reactor, and coal gasification) which will serve later periods.

The improving export capacity of industry provides the condition to have the effective foreign currency production requirement prevail more in food exports. This must be achieved by a reasoned increase in the degree of processing, by manufacturing better quality and more competitive products, by increasing the ratio of special products within this group, by more flexible market activities and better exploitation of the competitive situation. In shaping the production structure and the production conditions, the moderation of the pressure from the current, excessive "export burden" will increasingly favor the improvement of income-producing capacity and the guarantee of a

relatively less expensive food supply to the population. As opposed to increases in quantity, this will favor quality in every aspect, occasionally even to the detriment of a production increase.

As a concluding thought, I should like to point out that the above-described strategy of development—also representing points of gravity in activities and branches differentiated by time—(which is, of course, the organic element of an adequate socioeconomic strategy) may require more precise work, supplements even in the case of general agreement, and can naturally also evoke critical remarks with respect to its internal correlations.

On the other hand, I should like to stress that no matter how strongly I consider this strategy as the one that can and should be followed, I also consider it necessary to study the other possible strategies. This is also being done in the framework of long-range planning.

#### FOOTNOTES

1. Industry, agriculture and forestry, transportation, storage, water management, construction, that is, material production in the narrow sense belong here in addition to the so-called production infrastructure.
2. The document, prepared under the guidance of the chief in the Long-Range Production Policy Section of the National Planning Office, on which this article is based, summarized in over 100 pages the most general and most important conclusions and deductions. [7]
3. Into the competitive sector belong all areas where the exploitation of capacities, future development—retrenching and structural change—are decisively influenced by the external (but, as a function of the assertibility of know-increasing imports falls into the internal) market conditions and influences. Except for the internal market-oriented "basic" capacities of energetics, metallurgy and the chemical industry, and associated exploitation areas, all industrial production belongs to this group. The food economy can also be considered as a quasi-competitive area. In the future, too, its basic function—with the exception of a few special products—will be to supply domestic needs economically, with better quality products. However, a significant part of its production—already 40-50 percent of it—and the overwhelming fraction of the future increase will serve export goals.
4. A role is played by the fact that, in the past, the significant increase in capital equipment "compensated" small enterprise production equipment, furthermore, substituted for the decreased work force and production area" and was less able to serve the improvement of effectiveness. [6]
5. The processing industry is referred to in a broader sense. I list here the closely associated, modern basic material production activity, which has a considerable influence on its technical level, and also food processing.

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- [7] The work group evaluating long-range partial conceptions for the processing industry (guided by Istvan Kovacs and Gyorgy Varga), in its report (Oct 1982) entitled: "Evaluation of the Partial Conceptions of the Processing Industry" designated as functional priorities: electronization, biotechnology, information technology, and the development-expansion of material- and energy-saving procedures. With respect to food production and supply, health, measurement- and material-testing procedures, material processing and alteration, and also transfer of technology, they recommended that innovation-technological block priorities be designated.

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## EFFECTS OF FOREIGN RELATIONS ON ECONOMIC REFORM NOTED

Budapest GAZDASAG in Hungarian No 1, 1983 pp 61-79

[Article by Bela Kadar, department head in the World Economics Research Institute of the Hungarian Academy of Sciences: "Our Foreign Economic Contacts and the Economic Reform"]

[Text] In the past decade and a half, the development of the system of economic guidance has represented, perhaps, the most important aspect of Hungarian public thinking and political practice. From the viewpoint of what we have to say, it is not uninteresting to note that the economic reform standing in the center of our social life is in no way unidimensional or a process of recent historical origin. The reform generation working more than a century and a half ago recognized the problems and remedying tasks connected with the historically delayed modernization of our country and its relative backwardness within European development as a whole. As a result of this recognition and as a result of the deliberate and devoted creative work of several generations, it became possible to decrease the magnitude of our historical backwardness in the course of the half century prior to World War I, to initiate and accelerate a process of catching up and to make progress up the international development list.

The radical social changes after World War II crystallized around the building of a socialist system. A recognition of the functional problems of a new social model unable to support itself on historical antecedents was already reflected in the economic debates of 1953-54, in the attempts to find a path and, indeed, in the December 1956 resolutions of the MSZMP and it took a more definite form in the 1968 reform of the economic guidance system. To this dimension of Hungarian reform policy is primarily system-specific, is connected with a harmonization of the socialist socioeconomic model with the historically developed Hungarian level of development, with the conditions for growth and with the cultural inheritance.

The third and newest dimension of Hungarian reform aspirations is interdependent with the radical changes which took place in the 1970's in the external conditions of Hungarian socioeconomic development, with the new type of world economic challenges and with the adaptive constraints deriving therefrom. The present external challenge, which will continue to endure in the future, is not "system-specific" nor does it derive simply from the given

developmental level, for to differing degrees it affects developed and less developed socialist and capitalist countries alike. Nor can these challenges be regarded as a unidimensional process; nor can their detrimental effects be isolated from the long-range development of the capacity of our society and economic life. But in historical retrospect it is perhaps sufficient to illustrate the seriousness of the challenge by noting the long-range deterioration in terms of trade. At present, Hungary must pay with 20 percent more goods for a unit of import as compared to one decade ago, pays 30-40 percent more as compared to the middle of the century, and pays 60-70 percent more as compared to the years preceeding the eruption of World War I. A deterioration in the international terms of trade of this magnitude, together with the unfavorable development of external conditions, calls attention to the incorrect developmental policy choices—the consequences of the inward-turning, autarkic economic policy of the years between the two world wars and in the 1950's, the long-term, structural problems affecting the future viability of the country, deriving from this policy, and the historic necessity and urgency of comprehensive and continual reforms.

This three-dimensional outline of the Hungarian reform is not an obligatory homage to the spirit of the age nor is it directed simply at broadening the horizon of the reform aspirations and proliferating historic reviews. The many rivers flowing into the Danube preserve, for a good space after their meeting, their own speed of flow, temperature and quality before they become the main stream. To a large extent, the success of our reform aspirations will depend on the extent to which Hungarian society or the leadership of the country builds on the inseparable, mutual interdependencies of the various reform dimensions, the extent to which it can assume the historical continuity and interweaving of the various reform dimensions—doing so also in the interest of strengthening social-national cohesion. It can hardly be disputed today that a solution of our tasks as defined by our historical development cannot be expected from concentrating attention on a single dimension alone. In what follows, I would like to examine in this spirit the developmental trends of our external economy, because our external economic contacts reflect most clearly and—we might say—in the most ruthless form the capacity of our society, the nature of our challenges, the utility of the choices we make in providing for the future of our country. The special timeliness of the relationship between the reform and the external economy is well illustrated by the events and dilemmas of the past decade. The continual further development and fulfillment of the economic reform introduced in 1968 were held back by the earlier developmental strategy "reaction" to Hungarian economic changes.

#### Our Loss of World Economic Ground

Due to the relative lack of development of the service sector, our country is linked to the international division of labor primarily by virtue of an exchange of goods. Hungary's weight in world export was about 2 percent prior to World War I, 0.66 percent in 1938, 0.65 percent in 1955, 0.7 percent in 1970 and 0.44 percent in 1980. Naturally the long-range decline in our world trade importance which can be observed is not independent of changes in price ratios, the advance of the petroleum-exporting countries connected with this

or the reduction in the capacity of the country. But this is only a partial explanation. Because of statistical limitations, it is difficult to examine the longer range development of Hungarian positions in world trade in the more important product groups. But in the period in which our world economic backwardness can be outlined more definitely—since 1970—it can be seen that the weight of Hungary declined in world trade between 1970 and 1979 from 1.07 percent to 0.61 percent in machines, from 0.8 to 0.57 percent in industrial articles and from 1.1 to 0.9 percent in agricultural products.

Declining trends can be found in trade with several main groups of countries. Between 1965 and 1980, Hungary's share in the import of industrial articles by OECD countries increased from 0.2 percent to 0.23 percent but declined from 0.7 to 0.5 percent in their agricultural imports. In the import of industrial articles by socialist countries, our weight declined from 6.9 to 3.8 percent, and from 4.6 to 4 percent within agricultural imports. Even without the effect of the price ratio shifts caused by industrial articles and fuels, the already modest world economic significance of Hungary fell off to a considerable degree. The quantitative decline was not counterbalanced by a qualitative "weight increase," by building up positions on the market for sought-after products in the technical front rank. Hungary's weight surpasses 5 percent only on the market for strategically less important products, such as camping mattresses, deep boring tubes, paprika, salami and autobuses.

The decline in world trade significance cannot be explained by saying that the increase in the volume of Hungarian exports, that is the export capacity of the economy in the quantitative sense, was below average. As an average for the past 20 years, between 1960 and 1980, the volume of Hungarian exports expanded by more than 8 percent per year, by 6.8 percent even between 1971 and 1980, while that of world export expanded by 7 percent. Under these circumstances, the backwardness in general points to unfavorable price formation connected with an unfavorable supply structure, partner selection or the low efficiency of foreign trade work.

This process, the loss of world economic ground, the speed and magnitude of which in the 1970's approached what was experienced during the reordering of world trade which began at the end of the 15th century or the years following the end of World War I, influences unfavorably the developmental prospects of Hungary in a number of areas. The loss of ground, although it is a consequence, in itself demands countersteps, especially in a period when the scale of linkage to the international division of labor and the external economic sensitivity of the country constantly increased. The loss of ground in the past decade increased the interest asymmetry in Hungary's foreign contacts, which can be experienced in general among countries with differing economic potential or differing economic bargaining power, and it decreased the attractiveness of Hungary as an economic partner. In small countries, in a way similar to military strategy, the economy or the external economy cannot depend on deep defensive zones, on self-sufficient economic-financial-technical-scientific development. "Retreating forward," a continual strengthening of world economic positions, is a fundamental consequence of the long-range strategy of small countries.

## The Structural Challenge in Foreign Trade Contacts

In the period following World War II, the exchange of services expanded on a world scale at a good bit faster pace than the exchange of products and at present one-quarter of all payments connected with the exchange of goods and services goes to services as a world average, 40-50 percent in some West and South European countries. As a result of the Hungarian developmental policy followed for most of the past third of a century, the inclusion of the service sector in international economic cooperation developed only late, in a narrow range and within resource frameworks. This, despite the more reassuring tourism achievements of most recent years, the foreign-exchange significance of the service sector is subordinate and a disproportionately large role falls on foreign trade, accounting for more than 90 percent of the payments connected with the exchange of goods and services.

The structural transformation of the Hungarian economy and its increasing growth and balance tensions can be followed well in changes in the product structure of our foreign trade contacts. It is a well-known fact that the magnitude and rate of the structural transformation of Hungarian foreign trade is outstanding even by international standards. The basically agricultural character of the prewar Hungarian economy and foreign trade has changed, and for a good time already the link to the international industrial division of labor has been the chief driving force in the expansion of external economic contacts. The weight of agricultural and foodstuffs industry products in our exports was 57 percent in 1938, 32 percent in 1965 and 23 percent in 1970 and 1980. The corresponding ratios in imports came to 8, 19, 15 and 13 percent. Even now and for some time to come agricultural foreign trade is and will be the most significant foreign-exchange-producing branch of Hungary, but its earlier role has decreased significantly in terms of volume.

The change in the quantitative indexes of the structural transformation is most significant in the case of machines and other finished products. For example, the ratio of machines in Hungarian exports was 9 percent in 1938, 27 percent in 1955, 32 percent in 1970, 39 percent in 1975 and 34 percent in 1980. In 1938, consumer industrial goods made up one-tenth of Hungarian exports, but have made it up to roughly one-fifth since 1955. On the import side, the most significant structural change is connected to the fact that the ratio of machines has increased, over the long run, to the detriment of raw materials and semifinished products—in both 1938 and 1955 one-eighth went to machines but in the 1970's roughly one-third went to machines.

One of the peculiarities of the Hungarian economic and external economic structure is that quite different product structures developed in foreign trade with the several chief country groups, which certainly is not advantageous from the viewpoint of the structural integration of the economy in a small country. For example, machines represent the emphasis in Hungarian export specialization in ruble-accounting trade, their ratio in exports being 37 percent in 1955, 44 percent in 1970 and 47 percent in 1980. In Hungarian exports to developing countries, machines accounted for two-fifths before the war, one-third in 1955, 35 percent in 1970 and 31 percent in 1980 while other industrial products have accounted for 35-45 percent over the long term.

In the trade that has developed with developed capitalist countries the backbone of Hungarian exports has been agricultural articles, which are "natural-resource-intensive," chemical industry and metallurgical industry semifinished products and, to a lesser degree, the more labor-intensive light industry products. The rate and direction of the structural transformation of Hungarian foreign trade in these relations are far from reassuring. The ratio of machines in exports reached the level of prior to World War II only in the 1970's and between 1970 and 1980 increased from 7 to 13 percent. The most significant structural change has been the constant decrease in the ratio of agricultural products, once of dominant importance, a decrease which accelerated in the wake of sharpening Common Market agricultural protectionism, decreasing from three-fifths to one-fifth, and a parallel increase within total agricultural and foodstuffs industry exports in the ratio of foodstuffs industry products representing a higher degree of processing, increasing from 47 to 68 percent between 1970 and 1980, while the importance of consumer industrial articles doubled as compared to before the war and the significance of fuels and chemical industry semifinished products increased.

The more significant structural changes from the import side took place in two contradictory waves. In the period 1938-1955, the share of consumer goods in imports decreased while the share of agricultural and foodstuffs industry products increased. After 1955, and especially after 1965, the ratio of machine industry imports increased parallel with the decrease in the weight of agricultural imports; the share of machine industry imports reached 24 percent in 1970 and 30 percent in 1980, but within this there was a great increase in the import of parts for so-called operational purposes as compared to machine imports for investment purposes.

The chief structural ratio changes in our foreign trade are certainly noteworthy, but an evaluation of them is not unambiguously favorable. In the first place, it would not be good to ignore the fact that the structural transformation of world trade has also accelerated in the past quarter century. A quarter century ago products of a material character made up half of world trade, but only a third at the beginning of the 1970's, and even after the ratio shifts of the 1970's their significance was two-fifths. We have no reason for special satisfaction if we note that a number of countries which were at a lower developmental level than Hungary before World War II, such as Spain, Ireland, South Korea and Taiwan, were able to transform the structure of their foreign trade with developed capitalist countries at a substantially faster pace.

In connection with the pace of transformation, it is also useful to note that the ratio of processing industry finished products reached 29 percent in non-ruble-accounting trade in 1955, which exceeds the 1938 average by about 50 percent, partly as a result of the carry-over of technical-structural development taking place in the war years. Thereafter, in the course of the next 20 years, this ratio remained unchanged, indeed it decreased somewhat (24 percent in 1970-74), and it increased only as a result of the external shocks after 1973 and later as a result of domestic developmental policy encouragement.

A significant part of the present external economic tension derives from the fact that the ratio shift between fuels and processing industry products in our foreign trade with socialist countries and the consequences of the market situation for processing industry products in our foreign trade with developed capitalist countries, the consequences of the increasing price differentiation, have harmed our terms of trade.

On the market for chemical industry and metallurgical industry semifinished products, mass machine industry articles and durable consumer goods and new industrial articles (light industry articles) taking the place of the traditional and declining agricultural export to developed capitalist countries:

- demand is increasing at a rate a good bit slower than the average;

- the producers and trade unions of the developed capitalist countries, struggling with structural problems, ever more frequently force import-limiting measures;

- the developing countries having significant raw material and wage cost advantages and often enjoying trade policy preferences are playing an ever greater role, sometimes a market-determining one, in satisfying the slowly expanding domestic demand.

As a result of all this most Hungarian exports directed toward developed capitalist countries:

- have low price dynamics relative to an international comparison, and thus

- have low profitability, and

- consist of products falling in the structural over-supply area on a world scale.

In recent economic debates in Hungary, the argument has frequently been made--probably fearing the danger of a return to branch-oriented economic guidance--that what we should regard as critical is not the product structure of Hungarian offerings but rather the present quality level, and on this basis structural policy problems and solutions are rejected.

It is indisputable and has been long recognized that improving quality, technical development and better market work can result in a substantial increase in export receipts even with the given product structure. But in the present sharp international competition situation other exporters of similar products are also coming to the same recognition. Our economic research has also shown that in the event of signs of structural crisis labor, capital and manufacturing technology are inclined to migrate within a branch and only in the last phase are they regrouped into other branches. Thus, on the international market for given products, the conditions for marketing are determined by the supply competition of developing countries at a lower quality level and by the developed countries at a higher level. In addition, the industrial and import policies of developed capitalist countries have a branch

or product orientation and support or protect certain manufacturing areas and products independent of the quality level. It is also a source of structural problems that most of our exports which rely to a larger degree on the comparative advantages deriving from the higher professional training of the Hungarian labor force are now directed to the socialist countries or the developing countries.

So one of the key questions for the future development of Hungarian society and the Hungarian economy is the extent to which we are able to transform our economic structure, which has gradually declined in value in recent decades and which declined radically in the 1970's—taking into consideration the factors of market competitiveness and profitability as well.

#### The Dilemmas of a Relationship Orientation

In the long run, objective factors, the geographic situation, factors of the political institution system and economic-structural-growth conditions will be reflected in the choice of foreign economic partners.

In the quarter century after World War II, the relationship directions of Hungarian foreign trade developed essentially as a result of political institutional system factors, from the internal side as a result of building a socialist socioeconomic model and from the external side as a result of the cold war and its legacies. This radical reordering of the historically developed international division of labor represented no small test for the Hungarian economy. The weight of what are now the socialist countries came to only 13 percent of Hungarian foreign trade in 1938 (ignoring the GDR and Yugoslavia); by 1955, more than 60 percent of our foreign trade was directed to the socialist countries, 71 percent in 1960; but since the 1960's, as a result of external factors and the strengthening of economic determinants in the international division of labor, their weight fell to 65 percent in 1970 and to 53 percent in 1980. Over the long term, the weight of the developing countries in Hungarian foreign trade hovered around 5 percent, but with the increase in their world economic role in the 1970's it increased to 10 percent by 1980. The share of foreign trade conducted with developed capitalist countries was 34 percent in 1955, 29 percent in 1970 and 37 percent in 1980; that is, it hardly changed in a quarter century retrospective. But the foreign trade concept did change; earlier it hypothesized that in essence the deepening of the international division of labor would be realized to an increasing degree among the socialist countries.

In addition to the development of the chief relationship ratios, it is not without interest to note the structure forming role of geographic propinquity. In the period prior to World War I, the great majority of Hungarian foreign trade took place within the Austro-Hungarian Monarchy, although even then the lion's share of products in the international technical-structural front rank (for example, the railway vehicle industry, vacuum technology and pharmaceutical industry products) was sold outside the framework of the monarchy's customer market. The 1922 relationship structure of Hungarian foreign trade essentially reflected this state of affairs, too; at that time, 67 percent of Hungarian exports went to the successor states of the monarchy, to Austria,

Czechoslovakia, Romania and Yugoslavia, and 14 percent went to Germany. Historically, the first larger extension of the distant maneuverability of the Hungarian economy took place in the period 1922-38. By 1938, only 31 percent of Hungarian foreign trade was going to the neighboring countries, 29 percent was going to Germany, 7 percent to Italy and 33 percent to more distant Western European and overseas relationships. Thus, once within our century already, the Hungarian economy has succeeded, in a relatively short time and under conditions which were historically very serious, in easing the constraints of a geographically determined external economic maneuverability and in carrying out a significant reordering of relationships. Following World War II, the Soviet Union became a neighbor of Hungary, too; at the same time the weight of Austria, and over a longer run that of other small neighboring countries, decreased significantly as compared to the average for the two decades prior to the war. If we disregard the development of our contacts with the Soviet Union, then the ratio of trade with the prewar neighboring countries was 25 percent in 1955, 18 percent in 1970 and hardly 16 percent in 1981.

In addition to the continual decline in the role of geographic propinquity in influencing contacts, there was a weakening of the binding strength of institutional factors, of belonging to the same regional integration, in the development of our contacts with the small European CEMA countries. The weight in Hungarian foreign trade of the five small European CEMA countries was 34 percent in 1955, 27 percent in 1970 and 18 percent in 1981. The intensity of interstate economic cooperation reflecting the laws of world economic development over the longer run is illustrated by the fact that despite the third of a century existence of CEMA and despite the institutional system similarities and geographic propinquity the magnitude of the division of labor with the small CEMA countries is more modest than it was prior to World War II, in a period fraught with broad conflicts of interest.

The chief structural ratios of the Hungarian economy are not independent of the relationship orientation either. According to the state of affairs in 1980, the socialist countries provided almost all the fuel imports, 46 percent of the raw and primary material imports, 65 percent of the machine and industrial consumer goods imports and 22 percent of the agricultural imports while 79 percent of Hungarian machine exports, 49 percent of consumer goods exports, 43 percent of raw material and semifinished goods exports and 55 percent of agricultural exports were directed to the socialist countries.

The slowing of the rate of the deepening of regional cooperation naturally accelerated the speed of working out various economic policy cures. Some of the approximations projecting the present international situation over the longer run see the way out in a regional turning inward or in action progress encouraging this. In connection with this one can imagine, in the short term, the stronger appearance of such aspirations. But one can also see the outlines of aspirations aimed at a further development of regional cooperation, at a further development of the economic mechanisms and target systems of the several CEMA countries, at a harmonization of CEMA cooperation and a link into the division of labor on a world scale. But on the basis of the

limited economic freedom of movement of a stronger regional turning inward and on the basis of the indisputable time requirement for working out, introducing and developing economic reforms, it seems realistic to presume that one cannot expect, in the course of the decade, an elimination of the problems of regional cooperation which had developed by the beginning of the 1980's.

On the basis of the objective factors affecting the economic growth of the CEMA member countries and the development of their external economic contacts, we should reckon that the acquisition limitations in the import of raw materials and fuels will persist and may sometimes increase, partly as a result of the physical limit on regional supplies and partly as a result of attempts to acquire convertible foreign exchange and the geographical regrouping of narrow export-commodity bases accompanying this. The conditions for technical modernization which can be realized through regional cooperation are also less favorable than in earlier periods. As a result of the evening out of technical levels, the large parallelism of industrial-technological structures, the undeveloped nature of interenterprise contacts indispensable for effective cooperation in technology-intensive activity areas, the undeveloped nature of technology transfer capacity, the financial limits for technology trade and the difficulties in recognizing in prices any technical modernization or quality development, it is not justified to attach any great expectations to a deepening of cooperation in technically sensitive areas.

Objective factors and forces of regional cooperation which will continue to be independent of economic policy intentions, do not make it probable that in the course of the decade ahead Hungary can expand the volume of its trade with CEMA countries by more than 1 to 2 percent per year. Naturally, even this dynamic may aid a qualitative development of cooperation, improving its effectiveness, and it does not change the basic situation that even with a more modest rate of growth the CEMA countries will be the most significant foreign trade partners of Hungary even at the end of the decade. But we must consider the fact that the dynamic which can be derived from CEMA cooperation will not be sufficient for the realization of the adaptation, modernization and expanded reproduction tasks coming due in the 1980's, even if our contractual obligations are met perfectly.

In addition to the change in the earlier dynamic role of regional cooperation, one should not ignore the fact that from the Hungarian point of view the profitability factors of regional cooperation will be less favorable; the deterioration in the terms of trade and the investment contributions will further limit the resources of the Hungarian economy. Delivery shortfalls connected with the external economic possibilities and constraints of the several member countries, and interdependent with their economic problems, and changes in delivery conditions which cannot be foreseen are also sources of planning and economic policy uncertainty.

With the large number of internal economic tasks, the change in the environmental conditions for CEMA cooperation will make necessary the development of supplementary acquisition sources and the creation of export capacity in harmony with the import demand of the new acquisition sources. These tasks

will define the magnitude and forms of external economic cooperation with nonsocialist countries. On the one hand, the problems of developing these contacts reflect the limits of the present general situation of the Hungarian economy, the limits on its capacity, and, on the other hand, they reflect the already mentioned new and more lasting processes modifying the conditions for international cooperation.

Exploiting the supplementary relationship sources for international economic cooperation is by no means a simple task. From the supply side, the acquisition possibilities in the framework of economic cooperation developed with developed capitalist countries are favorable (with the exception of products of military significance) but economic problems appear in connection with increasing Hungarian exports. The economic dynamics in the geographically neighboring EEC area are lower than the international average and the trade and economic policy discrimination and limiting measures now being realized against Hungary and the trends of enterprise-economic-financial integration already developed make it difficult to access the markets. The limits on the distant maneuverability of Hungary, cut off from the sea, and the lack of traditions hinder an expansion of contacts with developed countries overseas which are developing relatively more dynamically.

In cooperation with developing countries constituting the most dynamic sector of the world economy, the possibilities are favorable for realizing the comparative advantages residing in the expertise and wage level of the Hungarian labor force and for expanding imports. But expanding exports to the developing countries requires a suitable commodity base, financing, technology transfer, organizational and cadre preparedness and sometimes retrenchment programs based on imports. Making progress will pose new tasks in all three chief areas of our external economic contacts.

#### The Reform and the New Growth Course

Since 1979, Hungarian economic policy has taken vigorous and effective steps to reduce the balance deficit but progress has been less significant in structural modernization, a function of the limited nature of external and internal developmental resources, and in a further development of the guidance system, due to a political evaluation of the potential risks deriving from a deterioration in the economic situation. Military science has long recognized the synergetic effect, the extra advantage deriving from the simultaneous, coordinated deployment of various branches. We cannot expect a successful treatment of the manifold socioeconomic problems from economic policy steps with limited goals, treating only the symptoms, either. From this viewpoint we can regard the coordination and timing of target system, guidance system and noneconomic reforms within the framework of a comprehensive developmental strategy as a precondition for the development of the new growth course.

In itself, however, the application of good economic strategy principles always depends on the concrete situation. Given the realities of the 1980's, however, an affirmation of the economic dynamic and the reforms, on the one hand, or behavior holding back growth and rejecting changes, on the other,

do not represent the dividing line between the chief approaches to developmental strategy. The developmental strategy dilemmas in the years ahead will be intertwined in a substantially more complex way. As for growth dynamics, servicing the debt and the deterioration in the foreign trade terms of trade will take another 2-3 percent of the national income in the course of the decade. So a rate of growth more modest than this would be accompanied by a decrease in the national income available domestically. As a result of the present modest proportion for investments, one which can hardly be moderated further, such a low rate of growth would affect the standard of living, too. With an unchanging or declining standard of living and elimination of the still fashionable "performance withholding" behavior and and performance-proportional incentive for enterprises, groups and individuals performing above the average could not be imagined without a reordering of distribution relationships. Thus a low rate of growth could produce stagnation with the present distribution relationships, and could then produce declining renewed production; or it will create the incentive conditions for an improvement in performance by assuming increasing social tensions. Doubtless, suitable incentive could contribute to an improvement in exploitation of social fixed funds and the labor base, and the reserves existing in this area are indisputably significant. But the national income increment which could be generated in this way also poses foreign trade conversion problems, because with the present product structure and quality level, that is, in the absence of a structural transformation, there is no possibility for the market realization of the increment. So in the present deficit balance situation, the economic dynamic is closely linked to strengthening export capability. And competitiveness and expanding the commodity base which can be marketed profitably will require new investments and investment imports.

A growth in the national income at a rate exceeding 2.5 percent per year on the average can be achieved to the extent that the terms of trade improve (which is not a realistic goal without a substantial improvement in the present product structure and in foreign trade market work) and to the extent that exportability can be expanded. Both factors will require developmental resources greater than those at present.

With the developmental strategy role of the external economic sector standing at the crossroad of an improvement in growth dynamics, the balance and structure can be developed on several planes. On the import side, increasing significance will attach to complex, rationalizing, long-range import management (not the treatment of local symptoms and not aimed at quantitative restrictions). A decrease in imports or in import need can be expected from a decrease in the present high level of specific raw material and fuel use. Domestic interenterprise cooperation contacts and the encouragement of specialized small plants could result in rational import savings in the case of parts.

In addition to exploiting the possibilities residing in a reduction of specific expenditures, there are also numerous conservative possibilities in the development of macrostructures, although international competitiveness will be decided in the microsphere. On the basis of present world economic trends and

those probable in the longer term, however, one cannot suppose that in competition of increasing importance which will increasingly define marketing conditions, countries which import raw materials and fuels will be able to export raw-material-demanding and energy-demanding products profitably for long, or even be able to manufacture them internally in the face of import competition. A reduction in the weight of branches and subbranches which are a good bit more demanding of energy and raw material than the average is also justified by the fact that the development of supply competition and of the structural crisis of the developed capitalist countries in these branches (metallurgy and petrochemistry) is extraordinarily strong.

This, improving the international competitiveness of the Hungarian economic structure does not justify keeping alive by artificial means those sectors, activity areas or enterprises using large amounts of natural resources with unfavorable efficiency, and from this viewpoint it makes urgent a vigorous and comprehensive regressive policy.

In addition to import management and the exploitation of rational reserves of import sensitivity, however, one should not lose sight of the fact that in small countries dependent on the international division of labor and forced to adapt to the consequences of the international competition climate an increase in imports is an important precondition for and aid to economic development and export expansion. A reduction in specific use, technical-structural development, creating the conditions for domestic economic competition, a swift avoidance of functional problems of growth, maintaining or improving world market positions, strengthening the competitiveness and dynamics of exports and broadening the frameworks for external financing could hardly be achieved without increasing imports.

It is primarily an active structure policy which could help reduce the expensiveness of a rational growth course. One chief direction for this is represented by a production policy of a value-increasing type which maximizes the processing level of domestic or imported primary materials and the degree of value added and a marketing policy which makes possible the realization of the added value, recognition of it by the world market. In the case of most raw materials and fuels, Hungary faces disadvantage determined by natural geography and in the case of primary processing disadvantages determined by the low efficiency of present manpower management by international standards. A successful breakthrough in the direction of products manufactured at a higher level of training, an increase in specific value, would mean getting out of the deficit zone of growth for the ratio of material type costs and the sharpness of supply competition are smaller in the higher training level zones and the difference in manpower wage and reproduction cost levels substantially surpasses the differences which can be found in productivity between the Hungarian and international level.

The foodstuffs industry based on Hungarian agriculture, the manufacture of foodstuffs industry machines and the export of technology, the manufacture of alumina and aluminum based on bauxite mining and the export of factories and knowhow, and the environmental protection and chemical industry processing technologies growing out of coalmining traditions are examples of the

possibilities for increasing national income and creating export which, on the one hand, aid a realization of the comparative advantages residing in the special training of the labor force and, on the other hand, aid a harmonization of natural resources with the requirements of rational management.

Of those activities which do not have a local natural geography base, those meriting stronger developmental policy preference are the pharmaceuticals, signal technology, tool, vehicle and light-source industries, which do have significant traditions and a manpower background. Of course, this preference requires not supports but rather a development of the infrastructure (transportation, storage, training, marketing, etc.) and the production background (machines, technologies, parts) which can lay the longer range foundations for the dynamic and international competitiveness of the several activity areas.

The chief structural anomaly of the Hungarian external economic sector, as compared to other small countries, derives from the undeveloped nature of the export of services and the concomitant necessity to export goods. The export of services potential of the Hungarian economy is not at all negligible. The size of our training system and the degree of domestic need for experts would make it useful to organize more systematically and on a broader scale the longer lasting foreign employment of our experts. Such deals would mean not only foreign exchange income deriving from the return home of savings earned abroad, but also the acquiring of much experience which might be turned to profit here at home later and the possibility of introducing the Hungarian economy abroad and increasing supplementary exports. In the event of a systematic approach (incentive, organization, etc.) we might exploit to a greater degree than at present the possibilities of Hungary connected with special tourism (such as therapeutic, equestrian, hunting and fishing tourism). In a number of Western European countries small villages far from industrial centers but agriculturally depopulated are ever more frequently becoming centers for an increasing nostalgia tourism and the real estate sales deriving from this can greatly increase foreign-exchange income (and become a source for lasting developmental funds from the local viewpoint). In the event of appropriate developmental policy treatment, export of services of this type could play a considerable role in relieving the relative burden on Hungarian commodity exports, in reducing the balance problems and in expanding the scope of economic policy.

A similar reduction of the external economic burden, a macroeconomic effect especially reducing import sensitivity, might be achieved by a structure policy which shifted growth dynamics toward the services sector. Of course, this demands an infrastructure development very demanding of capital! An expansion of the services capacity of the economy (construction, repair, assembly, health, free time) might satisfy social demand and might encourage, without a balance deficit or efficiency decline, a growth dynamic which over the longer run is not superfluous from either the political or economic side. It would make possible, without greater tensions, the absorption of manpower and even tools of production freed in production units withering away in the wake of a sharper competition climate and rationalization; it would make possible a direct reduction in imports in the case of production services and it would make possible an indirect reduction in imports in the wake of a

structural transformation of demand reacting to an expanding offering of services. An outline review of the external economic aspects of the new growth course also suggests, despite the deterioration in the external and internal conditions for our economic development, that in the event of the development and consistent execution of an appropriate developmental strategy goal system the possibilities are given for getting out of the present magic circle of growth, naturally not without assuming risks and sacrifices.

#### Development of the Economic Guidance System

The rich literature on the Hungarian economic guidance system relieves the author of this article of a detailed discussion of the sphere of problems; thus the train of thought in what follows is intended to cover only a few of the interdependencies of the guidance system and external economic contacts felt to be more important.

In recent years, rate-of-exchange and price policy have contributed most actively to the acceleration of the fitting in of the Hungarian economy to the world economic environment. The requirements for further steps in these two domains of economic policy have been formulated already. Despite the justice of the large number of critical observations affecting the price system introduced in 1980 it would not be proper to forget that in the absence of a broader development of competitive mechanisms, or parallel with the postponing of complex decisions connected with this, the domestic interpretation of the external market price center necessarily becomes a task for the authorities. Even in itself, a price system based on import prices is desirable in itself. There is a question, however, as to the extent to which this solution can transmit real market impulses in the absence of real import competition. With the simultaneous existence of a powerful structural transformation constraint and investment limits it is especially important to improve the mobility of financial resources, accelerating the regrouping of them to profitable use areas. Both the reduction and expansion of the several activity areas are inseparable from the degree of development of the capital withdrawal, regrouping and allocation mechanisms. Increasing the self-financing ability of the enterprises and creating an incentive system connected with the flow of financial tools among enterprises help to build up regrouping automatisms. But international experiences suggest that, in a country carrying out a vigorous adaptation, state economic policy should offer aid for the regrouping and further utilization of personnel and capital property of enterprises falling behind or being liquidated in the competition while at the same time the activities of enterprises playing a greater role in the development of the economy or of export should be encouraged by rebates or preferential access to funds. In addition to the direct developmental policy role of state economic policy, limited to stressed areas, bank financing relying on business considerations represents the chief channel system for assets flow.

The income policy conditions for successful linkage into the international division of labor cannot be ignored either. The greater risks of export-oriented development and marketing, the modernity and quality requirements of the external markets, the more strained pace of decision and action dictated by the competition and foreign marketing work in general require from the

enterprises and their workers a good bit greater effort than the domestic market does. A performance value system and a differentiated income policy are organic constituents of an external economic orientation and they presume result-proportional incentive for enterprises, groups and individuals capable of producing competitive products. According to international experiences, it is difficult to make an egalitarian wage and income policy compatible with the requirements of competitiveness. Economic vision, the ability to plan and implement plans all require the restoration of the economic functions of income policy, greater freedom of disposal for the places generating the income.

In a flexible and competition-oriented economy, wage policy is not a central but rather an enterprise task, and intervention deviating from this is permissible only in connection with changes in wage conditions serving the long-range interests of society, for trade of strategic importance or in short supply. It is another question whether tax policy should shift the net and gross income ratios in connection with macroeconomic goals, primarily in connection with regulating purchasing power.

The development of the international organizational frameworks for economic development also call attention to several points of view. In the recent past, Hungarian industrial policy already came to a recognition of the negative aspects of organizational overcentralization. It is an international experience that the industrial organization cannot be characterized by autonomous and eternally useful optimums. Its usefulness cannot be separated from developmental strategy goals, from the technicoeconomic parameters of the given industrial activity, from the external economic contacts, from the level of training of the work force employed, from its social psychology mood, etc. For example, the organization policies of the small Western European countries actively linked to the international division of labor have long struggled with the dilemmas of giving maximal value to the internationally small organizational bargaining strength of small countries, on the one hand, and the negative aspects of internal monopoly situations and power relationships deriving from this maximization of value, on the other.

In small countries, the degree of organizational concentration frequently also surpasses the international average in those "organization-sensitive" branches in which they can keep up with the international technical-structural front rank. Countries adopting the so-called tracking strategy usually try to influence their competitive positions by paying for developmental resources and risks, by increasing the number and flexibility of enterprises and by improving the conditions for the coexistence of small and large enterprises. An organizational system a good bit more decentralized and flexible than at present might help the development of the majority of the Hungarian branches promising comparative advantages in the industrial division of labor with developed capitalist countries. It is the task of economic policy to develop useful organizational forms on the basis of international economic power relationships and specialization trends, develop organizational weight for a few activities of key importance (which might mean creating a large number of small homework enterprises on a scale with the intensity of a specialization), to counterbalance the bargaining power

asymmetry between large foreign enterprises and Hungarian enterprises by mobilizing the tools of industrial policy and external economic policy and the institutional organization of cooperation with small and medium foreign enterprises. For some time to come, Hungarian organization policy cannot dispense with combinative organizational solutions.

From the viewpoint of our theme it is useful to call attention to the interdependencies of the development of the external economic organization, because:

--it can hardly be disputed today that an external economic organization inherited from the past, called on to trade essentially in exchange articles, raw materials, semifinished goods and agricultural products and reflecting the requirements of the extensive economic growth period and the centralized economic guidance system cannot satisfy the requirements of a Hungary participating in the division of labor on a world economic scale, a division of labor primarily of an industrial character. It will be difficult to carry out the new tasks and develop new strategic ideas without an organizational renewal;

--an idea is appearing ever more strongly in professional thinking according to which the weakening of our market positions, the increase in our external economic price losses and the unfavorable development of our terms of trade can be attributed in large measure to the weakness and low efficiency of the market work of foreign trade.

The sphere of tasks of the Ministry of Foreign Trade, functioning as the organizational peak in an organizational system for Hungarian foreign trade developed a third of a century ago, still does not reflect the recognition that external economic tasks have gone beyond and increasingly grow beyond the area of foreign trade (a united external economic guidance organization in this sense has not been formed even today). For long decades, in the spirit of branch guidance, the activity of the Ministry of Foreign Trade has been concentrated on operational guidance of the foreign trade enterprises, in addition to the traditional authoritative trade policy and interstate tasks. In the functioning and internal organization of the foreign trade enterprises, specialized according to determined product profiles, ministerial guidance created and constantly recreated aspects of centralization, lengthened the decisionmaking chain and slowed the speed of decisionmaking. In principle, the creation of a network of specialized foreign trade enterprises offered an opportunity to improve foreign market bargaining power, but the advantages deriving from this were far surpassed by the losses deriving from the isolation of the producing and technical development sphere.

Since 1968, as a result of regulation by decree, contact between producing and foreign trade enterprises has changed; the parties can choose freely among commission, association, self-accounting and agent forms of cooperation and the sphere of choices is being expanded to cover parallel foreign trade rights. But for the most part the expanding legal possibilities for organizational development have remained unexploited, for in the past decade the material, risk-assuming, credit-use, etc. possibilities of the enterprises have not really improved.

Market sensitivity, trade in technically demanding products, has been inseparable for some time from the structure of foreign marketing bases, the foreign network of enterprises wholly or partly Hungarian owned. About 60 mixed Hungarian enterprises work in the OECD countries and 18 work in the developing countries, the great majority of them even today are not producing enterprises but rather are commercial in character; but they handle about one-quarter of Hungarian exports. East-West interenterprise cooperation projects represent a unique market organization channel. Since 1967, nearly 600 cooperation agreements have come into being between Hungarian enterprises and enterprises in OECD countries and 60 percent of these are still in operation. Foreign trade conducted within the framework of these agreements accounts for 7 percent of all trade with OECD countries, and for nearly one-quarter of Hungarian machine exports to developed capitalist countries.

The Hungarian external economic organization has been enriched with a number of new elements in the past quarter century, especially in the 1970's. Without doubt the further development of the organization helped to blunt the external market effects affecting Hungary unfavorably and helped to increase the world market orientation of the Hungarian economy. A further improvement of the enterprise organization on the basis of experiences thus far, filling it with new strategic content and improving the conditions for cooperation with foreign enterprises are among the tasks of key importance for the 1980's.

Adapting to the requirements of the new developmental phase of the world economy will make the maintenance of certain dualism unavoidable in the system of Hungarian economic guidance; various forms of market mechanisms and central intervention will continue to coexist. The rich experiences of the present development of countries which began to modernize late make it clear that under the conditions of a less developed commodity production and social division of labor the market mechanisms can give only poor indications for decisions in harmony with future goals and profitability. The market value relationships in industrially developed countries at any given time represent a fairly unreliable guide, especially from the viewpoint of technical development and structural transformation. It is difficult to expect that economic actors, enterprises or individuals, raised in an environment of economic models governed by central plan directives will evidence rational, "market-conforming" behavior in the event of a sudden, full-scale unfolding of market effects or that they can move comfortably in a world market competition environment on the basis of their current information and level of preparedness. The world market competition climate develops not only in response to purely market mechanisms but also in response to power mechanisms, organizational bargaining power on an enterprise and national economy scale, which have grown in size in the past 10-15 years. Coordinated state power support, the generation of official economic emphasis, supplementing the weaker organizational bargaining power of enterprises of smaller scale by international standards, is of especially great significance in small countries. In uncertain world economic situations, in a period of revaluation of the economic elements of global strategies, the healthy operation of the economic system increasingly requires a careful division of labor between the central organs of economic guidance and the enterprise management sphere.

We cannot consider fortunate those views which equate, with an ever-green historical validity, the process of socioeconomic progress with the economic abstention of state power, with a one-sided market value orientation. On the basis of historical experience, socioeconomic development does not fit into a single or even into a small number of universal laws abstracted from concrete growth conditions, historical circumstances and political and economic possibilities, does not fit into models of general validity. The more complex the material and social world, the more difficult it is to formulate generally valid truths, on the basis of whatever lofty principles, and the greater the danger that the search for pure models will lead to a rigidifying of scientific and socioeconomic movement.

The Hungarian guidance system for the 1980's also can be developed only on the basis of concrete possibilities for movement and not on the basis of the internal logic of some abstract theoretical model. It follows that it cannot take on a chemically pure form, but rather will be built on a combination of central planning and market mechanisms. In an unfortunate way, the Kossuth formulation which regards politics as the science of "exigencies" has taken very deep historical roots in Hungarian public thinking. In regard to the further development of the Hungarian guidance system, the unworthily forgotten opinion of the "Sage of the Country" is much more true. Deak regarded politics as "the art of proportions."

#### Economic Reform and the Social Environment

Since the middle of the 1960's, one can observe in many countries the appearance of sociopsychological or value-system limits on or distortions of economic growth. This article does not intend to examine those causal interdependencies or temporal sequences which can be found between the problems of world economic growth and the development of the conditions for a change of epoch in the world economy, on the one hand, and the consumers' value system or spreading value vacuum, the profuse forms of irrationalism strengthening on a world scale, myths, new left and new right, Nietzsche renaissance, Islamic renaissance, countercultures, the spread of Asian sects, the trafficking on the market of scientific and political utopias, the forms of behavior indicating a deterioration in the psychological health of society; crudity, violence, pornography, alcoholism, drug consumption, pessimism, etc. But it can be said without exaggeration that in most countries and in a growing number of countries the social environment conditions for growth are substantially less favorable than in the third quarter of our century, the validity of economic theories based on the rational behavior of people is being challenged, and the social environment is coming into conflict with the functional requirements of models based on an efficient division of labor, on the ability to perform and on the competition mechanisms.

The international economic experiences of the past two decades, the closeness of the interdependence between the general state of society and its economic capacity are being reevaluated around the world and in the economic policies of some countries they have even reevaluated the significance of the social environmental components of growth. The economic usefulness of the Weber value?

system giving preference to consumption limits and conservation is certainly less in a period of welfare economic growth based on an expansion of consumption, but it increases in value in the event of an increase in capital intensiveness when there is a strengthening of the import and budgetary limits on welfare consumption. The requirements connected with the capacity of countries and individuals are being fundamentally changed as a function of the basic world market conditions and sources for growth. If a lastingly sharp marketing competition develops on the world market, then the role of human factors for growth, the ability to innovate and the social environment suitable for the development of these factors take on greater value, especially in countries less endowed with natural and capital resources. From this viewpoint, the social environment in the broader sense becomes an ever more important factor for competitiveness and growth.

In recent years, in the wake of the change in the world economic situation, the dilemmas of developing a relationship between social policy and economics are being posed with increased sharpness. The two opposite approaches in the Western world are well illustrated by, for example, French economic policy after the 1981 elections; in essence it designated the tasks of the economic sphere on the basis of the social policy goals announced in the course of the election campaign and took steps to increase demand, create new jobs, improve the situation of those with low incomes, reduce worktime and broaden the place of work democracy. But in a very short time, the realization of the goals, desirable in themselves, ran into a large number of external and internal constraints. The large Anglo-Saxon countries, on the other hand, in a way not independent of the different historical-cultural heritage and in a way similar to Far Eastern countries, are taking the position that as a consequence of the lasting world economic shocks the chief social task is to adapt to the changes and that social policy goals can be developed only as a function of this. And the consequence of this policy is large-scale unemployment.

International experiences, adaptive constraints and internal problems and conditions offer many footholds for the practical development of the relationship between social policy and the economy. It can hardly be disputed that in the Hungary of the 1980's we will have to follow a social policy much more deliberate and more active than before; at the same time, there can be no doubt that in the decade ahead of us the most favorable historical moment will not arrive for elimination of the social policy oversights of the past. A reordering of the expensive "division of labor" among the different spheres of society, especially between economic policy and social policy, is now unavoidable.

The activity of the functional spheres cannot be directed for long at an easing of the problems deriving from the social lack of organization. In a well-organized society the task of health affairs is to cure the sick, not to satisfy the understandable human anxieties deriving from alienation, the lack of a suitable social care network or loneliness, not to justify absenteeism from the job. The function of education is the forming of people, not to solve the problems of child care or exploit the working ability of teachers and students. The task of the economic sphere is efficient management and the

production of value, not to carry out social policy tasks. A vigorous clarification of profiles is needed in the means and organization system of society, a development of the tools and organizational system of social policy which will relieve the economic sphere, especially the enterprise sphere, of tasks not of an economic nature which interfere with management. A functionally well-defined and easily surveyable social division of labor is a basic requirement from the viewpoint of decreasing the social costs of development, proper functioning of the model and, at the same time, improving the quality of life and developing rational adaptive and behavioral norms which can be recognized by everyone.

With some simplification, adapting to the new developmental phase means preparing society for effective movement in a competitive climate more sharp than earlier. Already many international and domestic experiences show that the weakening of competitive mechanisms on a social scale, and the softening which derives from this, leads by a straight path to backwardness in the activity areas most sensitive to competition, in the areas of technical development, export, sport and the development of talent.

The rate of development in the technical sciences, the accelerating shift in international price and value ratios and comparative advantages and the ever more frequent changes in the centers for expedient specialization urge, on the one hand, a constant increase in the level of education and special training for the work force and a continual development of the professional structure and, on the other hand, an educational system which transmits high level, many-sided and flexibly applicable information. A suitable development of the social value system is a requirement of at least equal importance with a modernization of the educational and special training system. Keeping up in the competitive climate, a performance value system, precision, reliability and discipline are inseparable from the efficient operation of technologies of increased value, from the successful export of modern goods and services.

The sharpening of international competition around the world greatly increases the requirements connected with the level of leadership and accelerates the rate of obsolescence of leadership information, the rate at which leaders are "used up." The requirements connected with the level of leadership are formulated not only in connection with the special training of leaders, their knowledge of leadership techniques, but also in connection with their personality and maturity. In the case of more stable, less ambiguous situations, more easily foreseen developmental phases and repeated tasks, an executive type leader can be more effective. In a period of swift changes initiative, independence, speed in making decisions and creativity become the competitive factors. In a period of increased requirements, the significance of moral and material recognition of leaders increases especially, for otherwise leadership tasks will not be attractive for the more talented members of society with healthy personalities.

It is also a historical experience that reforms are usually "watered down" and deflected by leaders who fill leadership posts not on the basis of their professional and personal maturity but rather only on the basis of their

personal loyalty. In a given situation, leader training, leader selection and developing leadership style are of increased significance, important conditions for the success of industrial development, and improving them requires paying increased attention to the mutual interdependencies of socioeconomic goals, the guidance-organization system and the character of leadership.

At the same time, reform policy must consider the fact that converting to a more competition-oriented growth path and social environment will run into habits already decades old, and in the absence of proper preparation it will produce and make increasingly obvious a larger number of personal successes and failures.

Society must be psychologically prepared and armed in terms of values to accept in a healthy way the greater success of fewer people and to bear the unavoidable failures and conflict situations, must be prepared for a broad transformation of social attitudes. Economic policy can contribute to the success of this important task by creating the scope necessary for the unfolding of individual abilities, for improving the chances for success, by regrouping the labor force freed in the wake of structural adaptation and improving the profitability of enterprises, the labor force which becomes superfluous at a given job, by retraining them and giving them further training, education and mass communications can contribute by forming attitudes and health affairs can contribute by building up a network for social mental hygiene therapy. The primary task of the political sphere, naturally, is the strategic coordination of complex reform tasks and supervising execution, keeping the tensions which are unavoidable in the course of reform programs at a tolerable level. The democratization of the political institution system can offer great aid to this. Strengthening the atmosphere of trust is of key importance because trust in the future of the country is the basis for lasting economic prosperity.

The French saying "plus ca change, plus la meme chose" warns that for a long time it will be just these changes which will be the proofs of historical continuity and stability, the guardians of the values proven by the touchstone of history.

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# OFFICIALS, ECONOMISTS MEET, DEBATE ORGANIZATION, INSTITUTIONAL SYSTEM

Budapest FIGYELO in Hungarian 9, 16 Jun 83

[Comment by I. Hetenyi, I. Markoja, R. Nyers, P. Veress]

[9 Jun 83 pp 1,3]

[Text] The 22'nd congress of economists debated the problems of the organizational-institutional system of the Hungarian economy in Dunaujvaros on 20-21 June 1983. Dr Istvan Hetenyi, minister of financial affairs, and Dr Imre Markoya, minister of justice, gave the debate-initiating lectures at the plenary session. We publish below the theses of the lectures. The theses of the section lectures will be reported on next week.

## The Chief Trend: Increasing Enterprise Independence

The introductory part of the lecture by Dr Istvan Hetenyi started from the idea that developing the character and interpreting the independence of socialist management organizations was the key question for the development of the organizational system of the economy. It is as a function of this that we can decide concerning the activity sphere and organization of economic guidance organs and banks and can form a judgment concerning the size and number of enterprises.

Our economic organizational system is in a transitional state. It has broken already from the authorizations characterizing direct plan guidance but it has not yet achieved the organizational criteria demanded by intensive economic development, by planned economic guidance which is already indirect. A precise picture of the latter has not developed yet, but the direction of development can be sensed in many respects, and this offers sufficient foundation for making decisions, which sometimes are of a more or less experimental character. The forms which are obviously outmoded are gradually changing, but we cannot dispense with more deliberate and vigorous steps, which may sometimes have to be forced.

To change the organizational system we need steps in the wake of which the plan and the market will be linked in such a way that they will supplement one another, while retaining relative independence. The requirement is that decisions should be made where one can create the requisite vision and responsibility (assumption of risk), deliberately strengthening their development at the enterprises. The chief developmental trend today is to increase enterprise independence.

In the direct guidance system the enterprise organization was formed on the one hand by the possibilities of the production-technical viewpoints (sometimes misinterpreted) and by the pragmatic possibilities of direct guidance on the other. Since it was difficult to guide a large number of enterprises directly either they were combined or central guidance organs were created. The so-called operative independence of the enterprises has increased since 1956. But since the breakdown of the plan and the disconnection of the market persisted at the beginning of the 1960's one simple way to strengthen the "relaxed discipline" seemed to be a radical centralization--sometimes into a single enterprise for a branch of industry.

The reform of the economic mechanism reached industry and the construction industry essentially in such a centralized state. Centralization continued in agriculture even after 1968, largely citing technological reasons, but to a significant extent there were other reasons for this as well (for example, to mitigate differentiation). A number of quasi-monopoly organizations operate in the trade sphere, again citing the production monopolies.

All this makes difficult the development of a mechanism built on the mutual effect of plan and market and intended to exploit the driving force of competition. The logic of the regulators comes into constant conflict with an organizational system characterized by overcentralized organizations and undeveloped interest relationships within an enterprise.

The necessity of changing the organizational or institutional system has become accepted since the second half of the 1970's, and there have been partial changes.

Progress in the following directions is necessary in the development of the enterprise organizational system:

--The enterprise (organization) should be more capable of an active supply reaction to market impulses, influenced on the basis of the plan. That is, the enterprise should not be simply a production unit but rather an independent organization carrying out marketing, production and development in a complex way.

--Complexity should be accompanied by specialization. In many cases smaller, specialized organs can carry out certain functions more efficiently and on a broader scale than units locked into large enterprises. Specialization requires primarily research, development and investment organizations of fundamental importance in the innovation process.

--The role of small and medium size enterprises will necessarily grow. In part this is a condition for having market factors have an effect on the small domestic market in places where there may be an objective basis for it. Interest relationships can be built up more quickly and more visibly in these also. It will continue to be justified to build on the large enterprises, in the event of their successful operation, depending on the technological links, if they unambiguously aid market (not monopolistic) striking power.

--The existence of many sectors, a differentiated market organization, differing degrees of social-state commitment, the peculiarities of linkage to a technology or area and enterprise independence will justify a multiplicity of organizational forms. The mechanism of operation and the organization of enterprises primarily active in the infrastructure and of enterprises linked to entrepreneurial ability and profit or serving local interests could be differentiated better.

--We must strengthen the easier flow of manpower and social capital in the direction of more efficient activities, but in such a way that this does not require otherwise unjustified organizational combinations. This will require more varied integration forms encouraged by marketing, a credit mechanism and organization of a more business character, other forms of regrouping social capital (bonds and capital allotments) and measures aiding the restructuring of the labor force (for example, aiding retraining).

--Legal regulation should provide more ample frameworks for the development of organizations rather than hindering through stinginess the development of more efficient activities.

--Broad internal self-accounting and an internal interest mechanism should accompany independence. Single person responsibility leadership, overemphasized in hierarchic guidance, should become a coordinated system of single person decisions and collective decisions.

#### Development of State Economic Guidance

State economic guidance organizations can be developed as a function of the realization of enterprise independence.

An analysis of the relationship of state power and state administrative organs goes beyond the subject of my lecture. But I would note that the democratic supervisory role of state power organs will increase.

When developing the work of state economic guidance organs:

--we must continue to distinguish between the authoritative and the state ownership functions;

--the process already begun in the sphere of state guidance organs (the Ministry of Industry, the OAAH [National Material and Price Office]) should be adapted to other ministries; market supervision should be basically a central function (some ministries might act with delegated rights);

--market supervision should aid primarily in seeing that the market can play effectively the role assigned it in the economic mechanism; sometimes it should take action to avert market disturbances;

--in the development of credit relationships the central banking policy should be realized more clearly and it should be better distinguished from granting credit to enterprises--which should be built on business considerations more than at present; the promotion of innovation especially justifies the creation of new financial institutions;

--the functions of interest representation in this direction should be strengthened (other functions might be taken away from these organs); we must develop more open, better based procedural methods and forms for interest harmonization; the enterprise interest representation by the Hungarian Chamber of Commerce must be developed--possibly by means of special enterprise leaders;

--within a defined sphere and adhering to state laws the creation and abolition of state management organizations might be relieved of the character of ad hoc administrative acts; the enterprise leadership and the enterprise collectives should have greater opportunity to change the organizational form;

--the magnitude of the public burdens prescribed in various organizational forms should be basically uniform, deviating from the public burden borne should give preference not to forms but rather to goals and activities; the same thing is valid for price preferences also.

When stressing the significance of the organizational system we must also reckon with the fact that economic policy and the economic mechanism pose requirements for the management units and a practical organization should adjust to this. Organizational measures ripped out of this context can become formal and sometimes can become a source of unnecessary conflicts.

The introduction of the lecture by Dr Imre Markoja emphasized that the law is an important tool of state guidance--in the area of economic life also. Its role in the economic guidance system being implemented since 1968 is substantially greater than earlier because the state carries out its economic function primarily in an indirect way--with economic regulation and by use of public authority means--and the indirect tools of guidance appear as legal norms.

But the law is not the only tool of state guidance and it is not all powerful. Legal norms provide behavioral rules adherence to which the state can enforce in case of need. Enforcement can be used as a means of guidance where such state intervention is needed. Many economic problems, however, cannot be solved by legal means or can be better solved by other means; or legal and other means can be applied together, in coordination, for their solution.

Overestimating the role of law has the consequence of giving birth to apparent solutions instead of real ones, and this slows down the process of execution and the legal regulation cannot be implemented consistently, and this devaluates it.

The role of the economy is the determining one in the relationship of the law and the economy. But the law is relatively independent and can carry out its functions only in accordance with its own natural rules. It does not simply copy the economic concept but rather has an effect on it and in the course of this it modifies economic thinking also. Thus the common thinking of economists and lawyers is of fundamental significance in the course of legislation. This involves a complex, legal and economic, approach to problems.

In the present, quickly changing conditions of economic building work the flexibility of management and economic guidance is important. At the same time a consistent realization of legality is a fundamental requirement also. If the

legal norms hold back the development of practical economic solutions then the regulations must be changed, but the regulations cannot be violated. Adherence to legality is an important economic interest because the regulations create the game rules indispensable for successful management.

Overregulation continues to hinder the adequate realization of the functions of law in economic life. The legal norms are too detailed and complicated. In the interest of putting an end to overregulation we must improve the level and coordination of the work in preparing regulations. Putting an end to petty, unjustified intervention in the activity of management organizations, putting an end to bureaucratism and a better preparation of political and government decisions serving as a basis for legal regulation are indispensable for eliminating overregulation.

The basic rules pertaining to state enterprises were established by a law passed in 1977 which:

- stresses the entrepreneurial character of the enterprises;
- provides for their economic independence and guarantees thereof; and
- regulates the tasks of organs carrying out economic guidance.

In recent years the tools of legal regulation--in addition to operative decisions--have aided in making the enterprise organizational system more flexible, aided the modernization of economic guidance and enterprise leadership. (The institutionalization of small enterprises and subsidiary enterprises, creating new rules pertaining to supervisory committees, creating director's councils with decision making rights, making general the job competition system and the appointment of enterprise leaders for definite times, etc.)

In the interest of solving the problems of economic building work there is a need for a consistent realization of the basic principles of the reform carried out in 1968 and for a further development of the economic guidance system.

#### Defining Decision Making Rights

The chief tasks in a further development of regulation pertaining to state enterprises are the following:

- An unambiguous delimitation of the decision making rights of the enterprises and of the organs carrying out economic guidance, putting an end to unjustified intervention in enterprise management.
- Making a methodological distinction between ownership guidance and public authority guidance, reducing the administrative elements in ownership guidance. A greater role, in the tools of economic guidance, must be given to civil law tools which do not have a public authority character.
- Strengthening the legal guarantees of enterprise interest defense.

--A further development of the institution of the director's council; making the partner relationship between the enterprise leadership and the forums of enterprise democracy more substantive, primarily by strengthening participation by the workers in enterprise leadership.

--Increasing further the flexibility of the enterprise organizational system, providing for rational differentiation and loosening the unjustified restrictions on some types of organizations.

--Modernizing the internal mechanism of the enterprises, strengthening the independence and interest of the enterprise units. Decision making authority within the enterprises must be precisely defined and rationally decentralized.

The law passed in 1971 establishes the general rules pertaining to cooperatives. A separate law deals in detail with agricultural cooperatives and various law decrees deal with other types of cooperatives. The high level regulations correspond to the proven principles of the economic guidance system and cooperative policy:

- they ensure the independence of the cooperatives,
- the realization of cooperative democracy, and
- legal state supervision of the operation of the cooperatives.

Some of the rules serving as guides for the cooperatives were modified in 1980-1981; this aided a decentralization of the cooperative organizational system and increased the independence of units operating within the cooperatives. For example, institutionalizing the small cooperatives and industrial and service cooperative groups, etc.

The regulations pertaining to cooperatives were modified in 1982--taking into consideration the positions taken by the cooperative congresses. This simplified the way in which cooperative self-government and corporate leadership were exercised, increased the role of the place of work communities of units working within the cooperatives and made possible a greater unfolding of the unique aspects of some cooperative types.

The chief directions for further development are:

--While preserving the unique cooperative character deriving from the character of the property and from self-government we must strengthen the enterprise type characteristics in the internal organization of the cooperatives and the worker status of members must be regulated on the same basis in principle as the work relationship.

--The independence and interest of smaller units within the cooperatives must be increased.

--The role of the property contribution of cooperative members must be increased.

--The complexity of present regulation justifies the eventual creation of a uniform cooperative law.

A law decree passed in 1978 deals with economic associations and regulations pertaining to commercial societies--passed before the liberation--are still in effect. The commercial societies, however, actually function only with the participation of foreign capital.

The present regulations pertaining to associations do not create suitable conditions for stepping up the flow of capital, which might be realized in large measure by the creation of associations. In addition, the regulations are complicated and difficult to review. So it is justified to put on the agenda the creation of a new law or law decree for associations.

The chief principles of the new legal provisions might be the following:

- they should contain guiding rules for both the present economic associations and the commercial societies, putting an end to superfluous association forms;
- they should make possible the utilization of a modernized form of joint-stock company, even when exclusively domestic management organizations are involved; and
- there should be a consistently normative approval system for all associations, and the limits on contractual freedom should be reduced in the association law.

#### Timely Tasks of Legislation

We passed a number of regulations in 1980-1981 in the interest of developing small undertakings. Some of these created new forms of small undertakings (economic work communities, enterprise economic work communities, etc.) while others relaxed the unjustified restrictions on artisan and private trade activity.

The chief goal of the measures was to better include private initiative in the satisfaction of the needs of the populace and in "background industry" activities, and to make possible the acquisition of supplementary income based on work even where there was no legal possibility for this previously.

The experiences connected with small undertakings--acquired in the relatively brief time since the passage of the regulations--are basically positive. But there are also problems, for example:

- a significant number of the enterprise economic work communities do work exclusively for their own management organization and so in some areas--especially in services--the satisfaction of the needs of the populace has not improved adequately;
- state supervision of the operation of small undertakings is not effective enough from the viewpoint of legality; and
- creation of small undertakings is complicated and the procedure is tedious.

The chief directions for further development are:

--A study must be made of how action can be taken against the awkward phenomena connected with the enterprise economic work communities.

--The effectiveness of state supervision must be increased.

--The procedures connected with the creation of small undertakings should be simplified.

The timely questions connected with ensuring a legal system of management are the following:

--Measures aiding the solution of problems connected with the realization of the responsibility system of management.

--The role of contracts in economic life; the role of legal tools and the economic environment in the solution of problems appearing in contractual relationships.

--The significance of a legal service for the national economy, the measures taken and to be taken in the interest of further development.

[16 Jun 83 pp 1, 4]

[Text] Last week we reported on the theses of the lectures given at the plenary session of the 22nd congress of economists on 20-21 June. We now report on the theses of the lectures in the sections.

I.

In Section 1, dealing with the governmental and institutional system and linkages of the Hungarian economy, Rezso Nyers, a consultant for the Economic Sciences Institute of the Hungarian Academy of Sciences, gave a lecture titled "The Role of Government Institutions in Increasing Efficiency."

The possibilities for increasing efficiency can be found at the management organs, so these must be prepared and encouraged to better performance adapting to present and future conditions. In this area there is a simultaneous need for "loosing and binding," a loosening of state overregulation and an expanding of enterprise freedom of action. At the same time, tighter and stricter requirements must be set in regard to efficiency and competitiveness. All this necessarily directs attention to an improvement and development of government institutions and methods.

In connection with the reform policy it is incorrect to pose the question: "Is the economic role of the state strengthening or weakening?" It is obvious that the economic guiding role of the state remains strong, but it is also certain that it must be modified. The emphasis will not be placed on actions limiting the market but rather on a central regulation and supervision of it, on a deliberate exploitation of it, on what economists call "market conforming state

economic guidance." In addition, the regulation of production, as a state function, will not be independent in the future, rather it will become a part of macro-economic process control intended to influence the management units through an interdependency of "development-production-marketing-profitability." Finally, it will be less and less possible to plan and direct economic goals and methods in isolation from the interests of social strata and larger groups. A study of the social effects of economic development and, not rarely, the question of counterbalancing undesired effects will receive a greater role.

It follows from all this that in forming the role of the state we must go beyond the conception of a merely "administrative state" and must attain to a concept of state guidance which is realized with political tools, to the combined application of judging-governing-administering. It would be desirable to finally decide in the favor of the latter the dilemma which could be observed since 1957, a dilemma appearing as an alternative between the "administrative-executive" Council of Ministers or a government carrying out government tasks. In this way the strong and strengthening relationship between economics and politics could be better exploited for the realization of social goals. It would not weaken but rather truly strengthen the political leading role of the party if judging and governing were to receive an institutionalized political role also.

In the government work of the next few years the primary goal will surely remain the maintaining of the external economic balance, but--if the international situation makes it possible--this will be done not by limiting imports, or only less by limiting imports, and much more by increasing the value realized in export. Reducing the relative weight of consumption in the use of national income appears to be an unavoidable necessity, but the goal will remain of increasing the volume of per capita consumption by the populace, even if slowly, and improving the other factors in the level of supply and the quality of life. The two goals can be achieved only if a third goal receives equal rank and weight--accelerating the desirable economic structural changes and thus greatly improving profitability.

The following conclusions in connection with the role of governing institutions can be drawn from the analyses and debates of the year behind us:

--Medium range central planning and regulation must be open in regard to processes which can be planned only with great uncertainty (the realization of income abroad, foreign exchange parity, the investment capacity of the national economy), while the effect of the annual plan and the state budget in regulating growth and influencing structure will remain fundamental. The system of regulators must produce a more precise and more reliable distribution of income between central funds and enterprises, avoiding the frequent changes in regulators which disturb enterprise management. We must gradually reduce the limiting character of price and earnings controls. In central guidance greater scope must be given to the bank of issue function in regulating domestic demand and equalizing the balance of payments.

--In the state budget a more reliable receipts structure is receiving greater importance; the weight of the profit tax is decreasing, the role of taxes on resources and of the turnover tax is increasing. On the expenditures side there must be a gradual but significant reduction in the magnitude of production and consumption supports. A moderation is necessary in the rate of growth of public social expenditures. The policy directed at balancing the budget must be continued and we must see to it that the annual budget deficit does not exceed one percent of the total annual gross domestic product (GDP)--in 1982 it was 1.5 percent.

--Increased utilization of market methods in the economy must be accompanied by a development of the market supervision function. This involves market organization by starting new activities and encouraging competition; it involves market controls in the interest of balancing supply and demand; and it involves market supervision for the purpose of adhering to state decrees and limiting the development or exploitation of an economic power advantage. We should clarify what sort of division of tasks there should be between branch supervision of various commodity markets and an organization carrying out global market supervision and it must be decided whether the global market supervision should be done by some central authority or by a government committee to be formed for this purpose. Judging and sanctioning dishonestly acquired income must be regulated more precisely than at present. The size of the profit is in no way a justified standard from this viewpoint.

--It is justified that branch guidance should have an important role in governing hereafter also, but the task of branch guidance must be reinterpreted. In its chief aspects the character of the activity should be developed as in the Ministry of Industry today, of course taking into consideration the unique characteristics. It should be regarded as a basic principle that branch guidance should embrace the given activity as a whole, not only the state sector and not only the enterprises listed to the branch. Enterprise guidance and ownership supervision cannot belong to the sphere of tasks of branch guidance and it should not be possible to intervene centrally on an individual basis in the leadership or guidance of an enterprise; normative regulation should be provided by the functional organs, striving for agreement with branch guidance. In the competitive sphere the ownership function should be attached to the enterprise and the organizational form for this remains to be clarified. In the case of enterprises with a public works character the ownership function, hereafter also, should be carried out by the ministries or the councils. It is necessary to increase the role of branch guidance in technical development and in the coordination of developmental policy in general.

--More effective governing requires that the central power rely more on the independence of the local councils, ensuring substantially greater scope than at present to council self-government. This must be realized in the development of settlements, putting an end to the detrimental listing of the smaller settlements in the central rank ordering. It is justified to increase the ratio of the councils' own receipts at the expense of central allotments and free use of their own resources must be made possible to an increasing degree.

In the relationship between megye and local councils there must be a reduction in the megye centralization and redistribution of rights and financial resources; the megye function should extend to general megye and regional developments and administration. The rigidity of the megye organization of commercial and service enterprises must be relaxed further.

--It would be desirable to expand and develop the cooperation of government organs with various social interest representation organs, primarily with the trade unions, but also with the cooperative and financing organs, with scientific life, and with the various organizations of the economic intelligentsia. This same thing must be realized at the level of the local councils and where possible in the enterprises.

In the concluding part of his lecture Rezso Nyers emphasized that under the many unfavorable conditions today there is a great need for strong and effective government in the socialist countries. Meeting three conditions merits emphasis under our domestic conditions. The first is to rely more on the organs of popular representation, to conduct clearer and more political legal activity, to broaden and make more worthy the supervision of government. The second is for the government to make itself and its measures better understood by the leading strata of the economy, culture and public administration, the exchange of opinions, upward and downward, must be made more lively. The third is that if a change must be made in a method or organization then the change should be well thought out, but it must be initiated in time.

## II.

In the Second Section, with the title "Organizational Questions of the Producing Enterprise as an Undertaking," Tamas Beck, director general of the Linen Weaving and Textile Industry Enterprise, gave the introductory lecture. "What is a good organization?" The answer to this is very simple. A good organization is one in which the enterprise goals can be realized under the external circumstances prevailing at the time, with the given personnel, with developed work methods and with optimal results.

A few lessons can be drawn from this answer at first hearing. They are:

--the organizational structure of producing enterprises is one of the tools for achieving the enterprise goals,

--the organizational structure can be judged to be good or adequate only if one knows the goals of the enterprise,

--even in the case of nearly identical goals the organizational structure of enterprises may differ,

--in the event of changes of a certain magnitude in the internal and/or external circumstances even unchanged goals will be attainable in an optimal way only by modifying the organizational frameworks, and

--when the medium and long term enterprise goals change it is natural that one of the tools for attaining them, the organizational structure, must be transformed also.

On this basis it can be seen that the attempt (still found even today) to work out so-called "model organizational structures" was erroneous and barren. This was the demand or practice of some supervisory organs, trusts or large enterprise centers.

Much more dangerous is a new error in connection with organizational questions, one spreading in an ever broader circle, namely the error of attaching weak organizational units to strong ones, transferring good leaders to head weakly functioning units, creating new organizations to perform missing activities, and so forth. (To put it vulgarly we might say that we are trying to overcome economic difficulties in general by organizational changes.) Such "reorganizations" make a true solution of the organizational problem more difficult in two ways. In the first place they are accompanied temporarily by the same professional, human, psychological disturbances as a real solution. In the second place the result of them necessarily falls short of what is expected and this gives rise to lasting distrust in the collective in regard to every such reorganization. On the other hand, organizational changes must be made more rarely or more frequently depending on the speed with which circumstances change.

### III.

The debate initiating lecture in the Third Section was given by Istvan Kollarik, a main department chief in the Ministry of Financial Affairs, with the title "Small Operation Forms and the Market." Important steps have been taken in the recent past in the development of enterprise organization. Under central pressure enterprise organizations which are too large compared to the optimum and which are not working satisfactorily in the given form are gradually being converted to a size adjusted to the requirement of flexibility. A process has begun which we are accustomed to characterize in a summary way as the development of small operation production or auxiliary activity.

Since 1 January 1982 more than 13,000 new undertakings have been formed, with the participation of about 80,000 persons. Two thirds of the participants retained their chief occupation. The larger number of the new undertaking forms developed within state enterprises and cooperatives, where the workers undertake extra work primarily in their free time without any significant investment of their own.

Thus far more than 100 small enterprises and nearly 70 subsidiary enterprises in the small enterprise form have been created. (These figures include the decentralization of two national service enterprises, the Afít [Industrial Trust for Auto Maintenance] and the Gelka [Electrical Maintenance Enterprise of the Machine Industry].)

New creation and reorganization have created 155 small cooperatives. This is about 16 percent of the industrial cooperatives.

The most extensive organizational form is the enterprise economic work community, the number of which exceeds 4,500 and the personnel of which exceeds 40,000.

Contractual operation in domestic trade has been possible since 1 January 1981. The results achieved and the operational experiences are favorable in general. Some 5,500 units are operating in the contractual form in domestic trade. The units are achieving greater sales with fewer personnel and less use of assets.

More than 500 industrial service cooperative groups have been formed, most of them with members with a second job.

In the area of private undertakings the economic work communities have been formed in the largest numbers. The number of members in the more than 3,000 economic work communities exceeds 13,000 persons. One third of the work communities do intellectual work (the number of these increased quickly primarily in the first months), one third do industrial and construction industry work and the remaining third carry out activities belonging to other economic branches.

Despite the more disadvantageous tax regulations there are also civil law associations in operation, although their number decreased after the initial increase.

In addition to the appearance of new forms there has been an increase in the number of artisans and retail merchants (by something more than 5,000 persons).

It is too early today to express an opinion about the operation of the new organizational forms, which naturally is not free of contradictions, but the greater part of the problems are being solved in practice. Even if it has not happened yet, if undesirable phenomena should appear then it may be necessary to turn development in the desired direction with suitable regulatory corrections.

#### IV.

Peter Veress, minister of foreign trade, gave the debate initiating lecture for the Fourth Section, dealing with organizational questions of external economic contacts. Our increased external economic tasks in recent years have made necessary a modernization of the organizational system for foreign trade.

The sphere of enterprises with independent foreign trade rights has expanded significantly. At present there are, in addition to the 44 foreign trade enterprises under the supervision of the Ministry of Foreign Trade, 152 enterprises authorized to carry out foreign trade activity. In 1982, 20 percent of the direct foreign trade was conducted through the latter enterprises; this included 24 percent of the export and 16 percent of the import.

Beginning in 1981 the Ministry of Foreign Trade announced a conditions and requirements system for acquiring or exercising independent foreign trade rights. The possibility of choosing among foreign trade enterprises was expanded further for the producing enterprises. Relaxing the profile linkage

in a number of areas strengthened the competitive spirit and contributed to the development of better, more flowing contacts between producing and foreign trade enterprises. Parallel trade, the free selection of a foreign trade partner, applies throughout machine industry foreign trade already and it is being realized on an ever broader scale in light industry, the foodstuffs industry and in the area of some services.

Modifying the legal regulations made possible a relaxing of the earlier binding nature of enterprise contacts, the forced nature of consignments and the administrative limits on self-accounting contacts. The ratio of trade being conducted in consignment contacts decreased as a result of these measures, to the benefit of associations realizing more effective cooperation. There are now 114 associations in operation, with the participation of 184 domestic producing enterprises, and some of the associations have established offices. The lack of commercial capital is holding back a more significant degree of risk assumption by the foreign trade enterprises, or is holding back the possibility of this.

The foreign trade enterprises have begun to modernize their internal organization. The size of some foreign trade enterprises has been reduced, primarily by transferring a part of their personnel and activity spheres to the producers with newly acquired foreign trade rights. Small enterprises dealing with commodity trade have appeared in the organization of foreign trade.

The extension of independent foreign trade rights and the new types of contacts between producing and foreign trade enterprises has made necessary a modification of the central guidance of foreign trade also. In the interest of the requirement for uniform foreign trade guidance the Ministry of Foreign Trade is dealing with all enterprises conducting foreign trade activity, distinct from functional guidance and independent of the supervisory affiliation of the enterprises.

## V.

The debate initiating lecture in the Fifth Section, dealing with problems of development and stockpiling, was given by Dr Peter Medgyessy, deputy minister of financial affairs. Analyzing the experiences of the past 15 years, the following questions await answers: What is the cause of the rigidity of our production organization, the lack of enterprise accommodation? Why are the efficiency indexes of investments not improving? Why is the tying down of stockpiles high in the national economy at a time when the enterprises are struggling with acquisition problems, complaining of a shortage of materials, and so forth? These problems can hardly be solved without a development of the organizational-institutional system.

One source of the problems appearing in the allocation of assets is that in the difficult situation of self-financing and credit the credit system has not been able to develop an independent capital allocation mechanism operating on a business basis, which is closely connected with central and large enterprise or trust capital allocation. The centralized organizational-institutional

system did not require this; indeed, in some cases, it held back market control (control by the commodity, credit and capital market), held back the profitability selection of developments. As a result of this there developed an allocation system which adapts with low efficiency to what are basically natural goals.

Starting from the present legal frameworks, we must develop those task-oriented, ad hoc organizational forms of legal regulation which will aid the spread of complex construction industry undertakings directed at installations. The conditions for undertakings by these organizations cannot be less advantageous than those for other organizations.

When developing real business contacts between the banks and the enterprises we must strengthen the financial entrepreneurial spirit and must place the generation of income in this axis.

It is necessary to reorganize the role of the TEK [Capital Equipment Marketing] enterprises in the organizational system of stockpiling. It is obvious that for a successful carrying out of their tasks the enterprises capable of real commercial, business functions must have adequate base capital, but it is difficult to judge whether the present supply of assets is too much or too little for the new tasks.

## VI.

In the Sixth Section Miklos Andriko, state secretary for domestic trade, talked about the further development of the organizational system for commercial and supply institutions. In the course of analyses thus far a few basic principles have crystallized on which there is agreement and which can serve as a basis for working out concrete proposals. These are the following: the formation of an organizational system is not a goal but rather a tool; the organizational system cannot be static over the long run; the most efficient system cannot be invented centrally; and, finally, the transformation of the organizational system does not take place automatically, rather the self-development of organizations must be encouraged and obstacles to this must be constantly removed by developing economic regulation and interest and by expanding the possibilities for assets flow. From a transformation of the organizational system one can hope for progress in the unfolding of competition, in increasing market sensitivity and in shortening the commodity path. But real economic competition cannot be achieved by transforming the organizational system alone. This will also need the competitive pressure of import, for example, which we cannot give up for some time to come.

The present rigid separation of production and trade must be relaxed. There is a possibility for a rational organizational regrouping in warehouse capacity. We can even think of solutions where, in the case of adequate interest, existing warehouses can be available to industry, wholesale trade and retail trade alike. For some time to come there will be a need for wholesale trade as a function. But in every single area we must put an end to the abuse by wholesale trade of its monopoly situation or economic power advantage, isolating retail trade from the producer or hindering direct contacts with the producer.

The chief task of branch guidance is to guide the marketing process in such a way that it takes place most economically and ensures ever better supply to the consumer.

Enterprises marketing capital equipment also must be gradually transformed into market sensitive management organizations. It seems necessary that foreign trade enterprises also, in a manner similar to producing organizations, gradually link into trade on the domestic market, and that commercial enterprises link into import-export activity.

The organizational system for trade is in a transitional state. It has already broken from the authorizations characteristic of direct guidance and in a number of areas legal regulation already permits broad scope to the unfolding of the entrepreneurial spirit, but it has not yet developed those organizational frameworks which are required by intensive economic development.

8984

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# AUTONOMY OF NATIONAL POSTAL SERVICE DISCUSSED

Budapest NEPSZARADSAG in Hungarian 25 Jun 83 p 3

[Interview with Illes Toth, president of the Hungarian Postal Service, by Gyula Fejer]

[Text] It is generally known--and was also reported by our paper--that, based on a Presidial Council decision, the Hungarian Postal Service [HPS] is being separated from the Ministry of Transportation and Postal Affairs [MTP] as of 1 July 83 and will function as an organ of nationwide authority under the direct supervision of the Council of Ministers. The preceding events and reasons for the organizational change to be made in the HPS were discussed with Illes Toth who, from July, will lead the HPS as its president, a rank equivalent to undersecretary of state.

## There Is No Scheme for Modernization

[Question] What justifies the autonomy? These days, as organizational decisionmaking systems are being modernized--at the peaks of state government--we are witnessing more amalgamation, while here the opposite is taking place.

[Answer] Information transmission has advanced worldwide in recent years. Its significance is increasing day by day. At the same time, the duties of the HPS have also multiplied and its international connections have expanded. Even more of this is expected in the ensuing years. There is much to be caught up with. The enormous tasks, therefore, justify both a further expansion of the domestic guidance of information transmission and the establishment of its autonomy. The regulations affecting the HPS are an organic part of the well-known process of modernization which has been going on for a rather long time in the organization of the central economic guidance. But the modernization is not carried out according to one scheme because the methods of its accomplishments include both concentration and the separation of larger organizational units, in addition to the fact that it is converted into a high ministerial authority. There are basically two trends: concentration is, in general, encountered in state administration while separation is mostly seen in the enterprisaal sector. The HPS belongs to both the administrative and enterprisaal sectors. Modernization of the guidance system has the goal of providing the conditions for more effective functioning. In the case of the HPS, this can be achieved by autonomy.

[Question] Does this mean that the work of the HPS was hindered by its having been one of the principal offices of a ministerial department?

[Answer] The responsible main departments of the MTP did much for the HPS. Thanks are due for this. Nevertheless, I have to say about the practice until now that it was no longer flexible enough, it was not effective and it failed to orient itself to the current development in the national economy. The ministry actually carried out a theoretical activity which in turn doubled the tasks, slowed down the annexations back and forth, delayed the work occasionally caused problems with deadlines. According to the division of labor until now, the HPS could not maintain direct connections with the functional organs, and at conferences it was represented by the functional main departments of the ministry. But these main departments did not have the detailed information and data which the HPS uses. On the other hand, during our joint existence, the ministry never wanted to take over the professional guidance of the HPS. We do not find a single main department, department, group, not a single desk in the MTP which would have had the task of being a telephone specialist or of being acquainted with the technology of publication or, by chance, of contributing to the better transmission of radio or TV programs. On the other hand, there were seven main departments in the ministry the exact parallels of which also exist in the HPS. Main department of planning here and there, of finance here and there, also of international affairs, management and so on to a total of seven. This parallel setup caused both theoretical and practical problems. The HPS has a well-developed organization, an internal regulatory system which is completely autonomous. Its statutes did not adapt to the MTP, because no one wanted them to adapt to it. The HPS has a separate information system which is more or less based on the computer. It has a separate chapter of plans in the national economy, a separate system of statistics which cannot be mixed with anything.

#### Also Following the European Practice

[Question] This sounds as if there had been no reason for the HPS to belong to the MTP. Or should your words be interpreted differently?

[Answer] In Europe, there are only three countries where the postal service is not autonomous. In Hungary also, they have already tried many alternatives. For instance, at one time, it belonged to the Ministry of Commerce, from 1 February 1952 it functioned as an independent ministry for a year and a half, after which it became associated with the MTP. But in fact, the HPS does not have a natural niche anywhere, it cannot be organically joined to any branch. Those subsidiary branches can be joined which complement each other, can take over duties from each other, because their services are related. Although it sounds facetious, I am saying without rancor that we were never able to add ten-kilometers to minutes of speech, or to substitute one for the other. We would find it no different elsewhere. Thus--with some compromises--the HPS could be artificially fitted anywhere. But this is not the goal now, rather, to be given a place suitable to its tasks in the national economy.

[Question] If autonomy is in the interest not only of the consumer but also of the national economy and of the HPS, why then is the HPS becoming autonomous only now?

[Answer] This has no other answer but that the modernization of the guidance activity within the national economy has only now reached the MTP. Just as earlier, the Ministry of Industry or the Ministry of Culture has also sought out the most advantageous and useful system of guidance organization for themselves, the MTP has also started to establish it. The autonomy of the HPS was put on the agenda again, within the frame of this activity. The decision was made at the right time. We are in the middle of the sixth 5-Year Plan. Preparations for the seventh 5-Year Plan are starting, which the HPS management can now initiate within an autonomous organization and an independent sphere of authority. They will, hopefully, solve them well in the years to come.

[Question] Why did it not become an independent ministry as it was 3 decades ago?

[Answer] This question was also asked by many employees already. I believe that the current form is totally suitable. Because what would happen had the HPS become autonomous in the form of a ministry? Then every main department of the MTP would have had to be established there as well. On the other hand, this was not necessary in the present form. The departments of the HPS perform dual duties: state administration and also enterprisaal guidance. Therefore, this form of autonomy is definitely a less costly solution.

Continuation "within the house" Follows

[Question] The departments of the HPS thus perform dual tasks: state and enterprisaal? Should that be interpreted so that the enterprise comes to some decision, which is then evaluated by itself? This form of organization can well be economical but it is difficult to believe that the enterprise, against itself as a state authority, would side with a complainant. What is your opinion?

[Answer] In order to avoid such nonsense, the presidential office is established to evaluate and decide in official matters. This is also not a final solution of course. The Ministerial Council resolution establishing the autonomy of the HPS also contains the provision that, 2 years later, we should make proposals for the continuation of modernization on the basis of our experiences. The modernization of guidance and organization, a part of which was the independence of the HPS, was accomplished with the MTP. But at the HPS, only the higher guidance is being modernized. Later, the same will have to be done with internal guidance.

[Question] The first phase of autonomy was concluded. Was the formulation of its conditions successful?

[Answer] This was not difficult. The HPS had means completely independent from the MTP even before. Within the public schools also, there was differentiation, for instance, between intermediate and advanced professional training for the HPS. And what the public schools did not solve, that has been accomplished by the HPS within its own system of training even before. The HPS already had the various intellectual background institutions for its activities.

Let us cite just the Postal Planning Institute, the Postal Research Institute, the Institute of Postal Computer Technological Organization. To some extent, we also have the necessary special organization: the central repair workshop, the central highrise construction section and the vehicle pool. In plain language, the material conditions for autonomy are given.

[Question] So far, theoretical activities prevailed, and few people dealt with the preparation for reorganization. The second phase begins on 1 July. What can the consumer expect from the practical realization, which is the task not only of a few but of all postal employees?

[Answer] From now on, we will indeed need the work of not a few employees but of all 65,000 of them. We will be exposed to the basic question whether the service of the autonomous HPS has become better than that of the old one. We have to reply by means of a good job done which, in turn, we have to prepare for. But already we are witnessing two attitudes which are incorrect. One overrates the changes and wants almost a folk festival with the HPS. The other shakes its head and comments: what is the use of all this? Do we get more money? Will I have my wages increased? What is my advantage? Was it not good the way it was? Do we need more responsibility? It has to be stated realistically that more money cannot be expected during the current plan period. The numbers of the sixth 5-Year Plan are final. The duty of the HPS now is to defend its numbers which are largely exposed to the effects of the national economy. It is the duty of our employees to be able to fulfill those tasks which have been defined for them in the sixth 5-Year Plan. Even this will not be easy. I know that when 350,000 people are waiting for their telephone, our plan to connect 170,000 of them over a 5-year period cannot be comforting to the general public. But it must be acknowledged that 15 years of lagging behind has accumulated also in reconstruction. The network must be put in order so that phones can be used. This unavoidable task, in turn, slows the rate of new phone connections. Our regulatory system does not change with the autonomy and neither do our wage possibilities.

#### The Good Work of Employees Is the Good Work of the Postal Service

[Question] And what will the future bring?

[Answer] The HPS can basically count on two important promises. One was given by the December 1979 resolution of the Ministerial Council, the second during the State Planning Committee session in 1982. These depicted the fate of the HPS development and, within it, of the telephone development. It is the opinion of the leadership that, even with all of the national economic problems, development of the domestic telephone network and supply cannot be delayed further. Based on the estimates of the National Technical Development Committee, I can surely state that the national economy is losing several billion forints yearly because of the unbearable telephone conditions. To put it metaphorically: we are strangling the national economy. Only the outlines of the seventh 5-Year Plan are beginning to evolve at the present, preparatory conferences. The development of the HPS, above all of the telephone network, were mentioned there as being undelayable. Therefore, we expect--and not without grounds--that, during the next plan period, there will be a sudden start in HPS development and an increased rate of telephone network expansion.

[Question] Until then, how can the consumer hope for some improvement in postal services?

[Answer] We do not ask much from the postal staff. We ask a single thing, that they do their work better, they do not put in a black-framed envelope the festive telegram sent to grandma's birthday. This is not impossible, is it? We ask that the operator at 03 be courteous because that is what he was hired for and is paid for. The good work of the HPS can be achieved only by good work from the staff. True, we certainly cannot pay higher wages now. But, if the rate of postal development is increased and thereby those technical conditions be provided which make possible better and higher level services, we will be able to rid ourselves of public scorn, sometimes justified and sometimes less so. We will leave behind the times when the HPS was condemned because it could not provide telephones while the employees knew that it was indeed not their fault or their negligence. A technical groundwork can develop which will make it possible, within a few years, when it will be better to work for the HPS. The labor and social conditions will improve. Of course, autonomy is not a magic potion, the HPS will not yet become better through it alone. But even if, for the time being, we are only learning about autonomy, this honeymoon period must not involve services. These we have provided for decades and we cannot ask any special patience from the public. The work of the HPS is widespread and important. Last year, three-quarters of a billion letters and 11 million packages were delivered, 1.3 billion newspapers were distributed, we handled 95 percent of the nation's cash flow and the justly criticized telephone network carried conversations totaling 52 hours per capita. No less imposing are the numbers depicting the achievements of radio and TV broadcasts. There is no falling back in postal work; this is an area which surpasses its own earlier achievements year by year. It is forced to do so because the demands are increasing. And not only the quantitative but also the qualitative ones. We hope that, arm in arm with the 65,000 employees, the autonomous HPS will also fulfill these requirements.

[Interviewer] Public opinion is looking forward with great expectations to the announced changes. It rightly does so because the HPS has many traditions to follow: a sense of calling and love of profession, through which it was once famous for its accuracy, reliability and speed. It is the task of the postal staff of today to make the HPS the reliable service provider for every citizen and institution. Autonomy will provide encouragement and the framework for this.

2473

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# SEJM BODIES DEBATE ECONOMIC REFORM

## Advisory Group Report

Warsaw ZYCIE GOSPODARCZE in Polish No 24, 12 Jun 83 p 8

[Article by Marek Misiak: "Standpoint of Parliament's Advisors"]

[Text] The Sejm should commit its whole authority for supporting actively the process of the economic reform in Poland. This point of view has been distinctly presented by Henryk Kisiel on behalf of the Sejm's advisors during the meeting of the Economic Plan, Budget and Finances Commission and the Legislative Work Commission that took place on 28 May 83 (see the article "Let the Law Be Effective"). The goals of the economic reform were presented in a very extensive way in the Sejm's experts opinion. There is foreseen in the goals, among others:

- creating conditions for a more reasonable and far-sighted central planning and control that shall prove to be able to adapt to varying conditions in the world and country, effective in the realization of strategic aims and not encumbering, due to bureaucratic methods, the progressive forces arising from the ranks;
- substantial intensification of motives for the progress among large social circles and development of technical, organizational and economic innovations, initiative, economic reasonableness and foresight in thinking about the future of the country;
- intensification of the social and economic discipline taking into consideration the hard requirements of economic laws; assurance of domination of the general social interest over particular interests;
- creating conditions in which people and groups of people have a great influence upon economic processes and are responsible for successes and failures; admission of the fairness of profits resulting from reasonable initiative and efficient activity; more and more widespread introduction into practice of the principle of socialist self-government and favoring the realization of social equity.

The thus-largely comprehended aims of the economic reform require also the creation of appropriate standards for the evaluation of its results, so far.

There are sometimes attempts to estimate negatively the economic reform processes in Poland using data on the low national income level and decrease of consumption. These myths are dangerous because there appears often a high susceptibility of opinion to a too-direct and simple relationship between the economic reforms and the present economic situation, which has its own conditions that are independent of the reform.

Despite current economic difficulties, the reform survived and there exists still the political will for its continuation. The group of Sejm advisors thought it justified, in this situation, to develop a large-scale action for the cause of gaining social support for the reform. Reforms are endangered not only by the weakening of the administration, but symptoms of improvement in the relationship can be dangerous as well, because it may seem that the social and economic situation can be improved in a permanent way without any reforms.

According to the opinion of the Sejm advisors, the main "dilemma" of the reform comprise at present:

- the economic balance, including the money and goods markets;
- social and political support for the reform;
- increasing efficiency in the system of prices, credits and taxes, as well as in the restructured system of motivations, including wages;
- restructuring of central management and adaptation of its functions to the necessary changes in the conditions of independent and self-governed enterprises functioning;
- increased role and range of self-government in all areas of social and economic activity.

The reform should not be a "soft law." True enough, the process of creating juridical regulations is not yet finished (there are no legal regulations on the improvement and bankruptcy of enterprises, on the regional self-government, so the functioning of the central administration nor an antimonopoly one, etc.), but it may be found too often that the new law already in place is not respected in a satisfactory way, e.g. concerning the influence of the founding organs upon the enterprises.

The necessity of using administrative means and various forms of distribution cause, the survival or revival of elements of the hierarchical structures and of the traditional method of direct central interference in the internal problems of enterprises. Infingement of the reform's laws should not go unpunished. The Sejm experts consider that the government's plenipotentiary for the problems of the economic reform should hold a brief for its defense and also have legal means at its disposal.

However, to resolve this problem there is required in the long run a continuing restructure of the organizational structures of administration. The

improvement of enterprises structures should be influenced advantageously by a legal regulation of their bankruptcy procedure. It is indispensable, therefore, to intensify especially the financial requirements regarding enterprises "having no means of mortgage redemption."

One of the conditions upon which this course of the reform depends is a practical formation of the new role of corporations. At present, they are too similar to the old associations. Their structures can be more differentiated. The organizational structures and functions of the ministries and central institutions should be adapted to the new economic mechanisms. The ministries have been, so far, not sufficiently concerned with new forms of enterprise structures. Generally, there should be assumed a principle of variety and elasticity of the organization forms, taking into consideration the scale effects and admitting a multibranch system. The enterprises should have the possibility to dispose directly of a scientific and technical base.

The coupling of three factors and problems that require resolving in parallel, prices, wages and taxes (and probably also the banks credit policy--author) has been called "The Bermuda Triangle." It should result in creating true motives for efficiency in the enterprises. These motives should not be deadened by artificial and too-extended loans.

Of great importance to the progress of the reform should be also among other things, the improvement of relations between enterprises and local administration. An essential role should have here the local self-governments. Their field of activity and the principles of self-financing and allocation, as well as of dispensing and administering their capital shall be determined as soon as possible.

To conclude, it is worthwhile to accentuate the most general and, probably, the most fundamental trend of thought in this report indicating the necessity of giving the economic reform in Poland greater governmental and juridical prestige, including the use of the Sejm's authority. A similar conclusion appears also from the discussions held, so far, by the majority of the Parliament's commissions.

#### Stricter Enforcement of Law

Warsaw ZYCIE GOSPODARCZE in Polish No 24, 12 Jun 83 pp 8, 9

[Article by Marek Misiak: "Let the Law Be Effective"]

[Text] The joint meeting of the Economic Plan, Budget and Finance Commission and the Legislative Work Commission on 28 May 1983, on the report concerning the implementation and effects of the economic reform was already the second attempt to achieve a possible evaluation by synthesis of this complex problem. In the conference participated the chairmen of other Sejm commissions and fairly numerous representatives of related ministries and central institutions. The results of a whole round of discussions on this problem, held during the last two weeks by the remaining Sejm commissions, could be used. Other materials have been also supplied by the Institute of Economic Sciences, the

Polish Academy of Sciences, the Social and Economic Council, the Sejm advisors, the commission for the economic reform of the Polish United Workers Party's Central Committee, the Supreme Control Chamber and the Main Technical Organization. The main burden of work related to the elaboration of the Sejm proposals reposes, at present, on a specially established intercommission group headed by deputy Alojzy Melich (the report from the first meeting of this group was published in the antecedent issue of ZYCIE GOSPODARCZE under the title: "First Step in the Direction of Synthesis"). In the beginning of June 1983, the group will have its next meeting and after the meeting it shall present before the Economic Plan, Budget and Finance Commission the prepared draft of Sejm's final standpoint.

The opening address to the discussion was delivered by Henryk Kisiel who presented the standpoint of the Sejm advisors.

The deputies were, however, not satisfied with the too-general formulations. Tadeusz Haladaj, representing the Labor and Social Affairs Commission, discussed extensively the insufficient translation of the economic reform's assumptions into motivating systems inside enterprises. Deputy Emil Kolodziej criticized the poor influence of economic instruments upon the motivations and the reproduction of production means in the food industry. Similar conclusions occur also from the discussion in the Light Industry Commission.

Deputy Boleslaw Struzek delivered an extensive pronouncement on the problem of motivations in agriculture. Prof B. Struzek used the name "The Bermuda Triangle" speaking about the difficulty of resolving in parallel the problems of forming retail prices of food, purchase prices for agricultural products and prices for production means in agriculture.

There were also considered various complex problems resulting from discussions in the remaining Sejm commissions. Deputy Zbigniew Zielinski criticized in the name of the Building Industry Commission the lack of coordination ("pluralism") of the control centers in the present solution of the reform. It is also necessary, in his opinion, to provide closer links between prices and costs of building. There were also expressed remarks indicating the lack of a sufficient consistency in replacing the form of orders by legally sanctioned economic instruments of enterprises by the ministries.

Minister Zdzislaw Sadowski explained that the reform provides a "polymorphism" of organizational solutions on the level of enterprises and corporations, but this does not mean a lack of coordination in its control. The irregularities appearing in this area have their historic reasons and result from the short time of implementing the reform, not to mention the restraints due to the unbalanced state of the economy. Further projects of legal regulations are being prepared. Some of them have already been handed over to Sejm, or shall be in the near future. There exists, of course, the problem of the already set law which is not observed or infringed. The pronouncement of Prof Sadowski showed that he agrees in this matter with the opinion concerning a need for greater consistency in the enforcement of the law.

Deputy Minister Bronislaw Cias talked about the progress of work on the improvement of financial instruments. The transition from a "regressive" type income tax for interprices to a "linear" one, which is proposed in order to increase the motivation for efficiency would require also, according to his opinion, a verification of the present system of tax reductions. Income tax reductions are, at present, too extensive and this can cause a general influx of money. B. Cias also presented the present direction of work in the Ministry of Finances aimed at improving the turnover tax and other tax systems. According to his opinion, taxes should have selective effects; money should be tight but this should not restrain, e.g., an efficient market production.

The opinions on prices crossed. Deputy Minister Wojciech Prus presented broad-ranging arguments indicating the limited possibilities of controlling prices, based on the calculation of production raw materials costs. The use of costs to control prices often leads to deformations in the calculation of costs, and may also result in an artificial increase of costs. Despite the opinion of the Construction Industry Commission, the possibilities of using costs as a base for formation of prices for construction services are also limited. According to the opinion of W. Prus, the prices should be treated by the enterprises as external parameters.

Leszek Urbanowicz, vice-president of the National Bank of Poland, presented the bank's opinion on the functioning of financial instruments. Despite the complicated situation, which is the result of the price and tax systems, the bank's opinion on the global proportions of the distribution of means provided by the enterprises for investments and the increase of turnover means and for wages is positive. In their credit policy, the banks are aiming at taking into consideration the differentiated situation of individual enterprises and use preferences resulting from the assumptions of the central policy. This general opinion does not exclude, of course, different problems appearing in particular enterprises and branches.

The members of Sejm also heard the discussion to the fairly long speech of Alojzy Melich, chairman of the intercommission group preparing the drafts of Sejm's final documents.

Prof A. Melich criticized the lack of sufficient activity in wage policy. According to his opinion, the form of bonuses should be resolved for reduction of costs, improvement of quality of production, etc. The wage increase which has appeared so far in enterprises was related insufficiently to the true output of the individual worker. As a result, wages increased without incentive effects, so no conditions have been created to stop the inflation.

On prices he declared that they should be used to a greater degree for stimulation of supply. In order to achieve this goal, the wages should be related to this part of profit which results from the reduction of costs (and not from the increase of prices).

During the break I asked Prof A. Melich to explain in a more detailed way how this should be done. He told me that the amount of the enterprise wage fund

can be determined in relation, on the one hand, to the reduction in the consumption of materials and other production means in terms of production units and, on the other, to production quantity and quality. This is not contradictory, according to his opinion, to the financial set-up of enterprise accounts, because the economic administration of production means and the changes in the quantity and quality of production can be expressed in terms of financial results.

At the end of the discussion the chairmen of both commissions jointly in session pronounced their opinions. Sejm Deputy, Witold Zakrzewski, chairman of the Legislative Work Commission, emphatically set himself against the so-called "soft law of the reform." The bills on the reform set by the Sejm should be enforced in the majesty of the law with appropriate rigor. The authority of Sejm and government depend upon it. Irregularities appearing in this domain which were reported during the discussion, require a consistent drawing of conclusions in future work on setting up the economic reform laws.

The chairman of the Economic Plan, Budget and Finances Commission, Sejm Deputy Jan Kaminski stressed the necessity for a great mobilization in order to prepare the final documents covering the work of the commission. The complexity of the economic reform's problems is great and there also appear to be differences of views between the commissions and the representatives of the government, e.g. concerning the organization and methods of the central control, as well as the methods of determining the prices and using the calculation of costs and normative costs for this purpose. In the elaboration of final documents there should also be considered the opinions sent in by various outside institutions. The drafts of new legal regulations concerning bankruptcy procedure provided for socialized enterprises, submitted by the government's plenipotentiary for the economic reform's problems to the Sejm and the Council of Ministers should also be examined urgently.

The problems that had to be summed up by the intercommission group are, it has to be agreed, difficult.

First, most of the problems presented by the Sejm deputies concern matters that are subjects of hot disputes among the experts and within the administration. This concerns coordination of the reform process control by various links of the center; correlation of prices and costs, not only in the building industry, etc. It is impossible to clarify everything here, as may be seen from the pronouncements of the administration's representatives during the above-described discussion.

Second, the fundamental problem of exerting pressure upon enterprises concerning their efficiency and, at the same time, avoiding an excessive danger of inflation, has a conflictive character. It shall not be easy to create in the present situation of unbalance such external prices that will lead to efficiency. It is also difficult to expect results from new solutions (suggested by deputy A. Melich) concerning a direct dependence of incentives upon a part of profits due, e.g., to the reduction of prime costs, before their careful examination and control.

Third, the efficacy of law is a prerequisite for its application for a true promotion of the reform. There should be avoided legal regulations which are not enforced afterwards with sufficient consistency. It seems to me that one of the most important conclusions from the above-reported discussions of the Sejm members was the conclusion concerning the need for a consistent enforcement of the legal regulation on the reform that were already established by Sejm in the past but have not always been respected sufficiently.

#### Joint Committee Draft Report

Warsaw TRYBUNA LUDU in Polish 8 Jun 83 p 2

[Article by MW: "Members of Parliament Evaluate Implantation of Reform"]

[Text] (Own Information) On Tuesday, 7 June, there took place a conference of the Intercommission Group for problems of the Economic Reform headed by Sejm deputy Alojzy Melich. The discussion was on the draft report concerning the first year of the reform's functioning.

According to the opinion of the members of Sejm, the introduction of the reform was a necessity but the fact that this has been performed in extremely difficult conditions caused a number of departures from the initial assumptions.

The reform did not provoke, so far, pressure for an increase of efficiency in the administration coming from the rank and file. The links between science and the general and building industries are being developed in an insufficient way. The legislative work has to be terminated as soon as possible. The loopholes in regulations are still giving the enterprises possibilities to avoid the law.

Many objections are created by the policy of prices, taxes and credits. Moreover, according to the opinion of the said group, the principles of the reform did not invoke some branches of the economy, e.g. the power supply industry and coal mining, and they have been implanted in an insufficient degree in trade, transport and the building industry. It was stressed that the economy should be based upon uniform principles accompanied by taking into consideration in practical solutions the specificity of individual branches.

In the conclusions of the group we read that the fundamental problems concerning the reform can be reduced to three most important topics. The first is the intensification and improvement of the reasonableness and efficiency of the economy's central control.

The second one requiring regulation is the stimulation to activity of social forces arising from the ranks.

And the third one, finally, is the continuous improvement of the principles of the reform. They should be consistent, complex and uniform for all administration centers.

12376

CSO: 2600/1014

EFFORTS TO COPE WITH ENERGY NEEDS VIEWED

AU161347 Warsaw TRYBUNA LUDU in Polish 14 Jun 83 p 1

[Commentary by Mieczyslaw Wodzicki: "Following Central Committee Resolutions--Energy Is the Key in Our Hands"]

[Excerpts] Supplying the country with energy and fuels is the condition for taking the economy out of its crisis and for determining its further development. These statements were included in the 10th Central Committee Plenum resolution on the fuel-energy economy, adopted in the fall of 1982, when our energy industries were getting their second wind.

How is this resolution being implemented? The extraction of bituminous coal continues to be high, which means that we may be able to supply, like last year, about 190 million tons of coal to our economy, which will be enough to meet the country's needs and to regain some more Western markets that we lost not so long ago.

The extraction of lignite also continues to be favorable. The entire increase in the power of power stations to the end of the eighties will be based on lignite. The extraction of lignite will increase by 4.9 million tons or 12.9 percent this year, which is considerable progress, made possible by opening the Lubstow opencast mine of lignite and by increasing the production of the Belchatow mine.

However, the management of liquid fuels resources presents more difficult problems. The domestic extraction of natural gas and oil is decreasing. The gas we need is wholly supplied by the Soviet Union, but these supplies are already being restricted because the "Friendship" gas pipeline is being used to its full capacity. The import of natural gas could be increased if another gas pipeline were built, but there is no possibility for increasing oil imports.

The only way to improve the supply of these fuels is to exploit domestic resources. However, geological prospecting is producing poor results. Last year's plan provided for the extraction of 7.8 billion cubic meters of natural gas and 500,000 tons of crude oil, but only 2.8 billion cubic meters of this gas were extracted and the results of the crude oil extraction were negative. In this situation the 10th plenum resolution on the need to expand geological prospecting is still topical.

Effective measures to lower the consumption of energy by our industry and to eliminate reasons for the waste of fuels and energy are still lacking. Nor has there been rapid progress in modernizing the production processes or in cutting line losses in electric energy and heat being delivered to consumers. Last year the industry even recorded an increase of over 3 percent in energy consumption.

Plant and local party organizations, economic departments, and local authorities should promote a resolute struggle to improve fuels management practices and to eliminate all waste.

CSO: 2600/1088

LAW ON NUMERICAL CLASSIFICATION OF LINE BUDGET ENTRIES PUBLISHED

Warsaw MONITOR POLSKI in Polish No 9, 12 Mar 83 Item 52 pp 97-111

[Ordinance of the Minister of Finance, dated 4 March 1983, on the Classification of Revenue and Expenditures of the Central Budget and Local Budgets]

[Text] Pursuant to Article 91, Paragraph 1, Point 4, of the law dated 25 November 1970: Budgetary Law (DZIENNIK USTAW No 29, Item 244) and in connection with Article 30 of the budgetary law for 1983, dated 29 December 1982 (DZIENNIK USTAW, No 44, Item 288), it is decreed as follows:

§1. A classification is established for the income and expenditures of the central budget and the local budgets, in keeping with the appendix to this ordinance.

§2. The details for applying the classification divisions in the planning, record-keeping, and reporting are set down in regulations concerning the compilation of the draft of the central budget and the drafts of local budgets, and concerning budget record-keeping and reporting.

§3.1. Authority is given to the ministers (directors of central agencies) and voivodship governors (presidents of cities with the rank of voivodship) to create the following with the approval of the Minister of Finance:

- 1) within the chapters, the detailed individual classification sections, called "titles,"
- 2) within the paragraphs, the detailed individual classification sections, called "items."

2. Decisions concerning the formation of individual classification sections should also specify the following:

- 1) units responsible for applying the individual classification sections,
- 2) the scope of application of the sections in planning, record-keeping, and reporting.

84. The classification of income and expenditures is also used in budget-financed establishments, special resources, special-purpose funds, and the organizational culture and art units.

85. The Minister of Finance ordinance dated 28 February 1979, on the classification of the income and expenditures of central and local budgets (MONITOR POLSKI, No 8, Item 55) is void.

86. The ordinance is effective as of the day of its promulgation beginning 1 January 1983.

Minister of Finance: S. Niecekarz

Appendix to Minister of Finance's Ordinance dated 4 March 1983 (Item 52)

Classification of Revenues and Expenditures in the National Budget and in Local Government Budgets

#### I. Jurisdictional Classification (Parts)

01. Office of the Sejm and Office of the Council of State.
02. Supreme Chamber of Control.
03. Supreme Court.
04. Prosecutor General of the Polish People's Republic.
05. Office of the Council of Ministers.
06. Planning Commission of the Council of Ministers.
07. Ministry of Science, Higher Education, and Technology.
08. Ministry of Finance
09. Ministry of Labor, Wages, and Social Affairs.
11. Ministry of Mining and Power Industry.
13. Ministry of Metallurgy and Engineering Industry.
18. Ministry of Construction and Building Materials Industry.
19. Ministry of Agriculture and Food Economy.
20. Ministry of Forestry and Timber Industry.
21. Ministry of Transportation.
23. Ministry of Communication.
24. Ministry of Domestic Trade and Services.
25. Ministry of Foreign Trade.
26. Ministry of Administration, Local Economy, and Environmental Protection.
27. Office of Maritime Economy.
30. Ministry of National Defense.
31. Ministry of Internal Affairs.
32. Ministry of Foreign Affairs.
33. Ministry of Education and Development.
34. Ministry of Culture and Art.
35. Ministry of Public Health and Social Welfare.
36. Ministry of Justice.
37. Office of Veterans Affairs.
38. Polish Academy of Sciences.

39. Office of Materials Management.
40. State Economic Arbitration.
41. Pricing Administration.
43. State Labor Inspectorate.
44. "Polish Radio and Television" Committee on Radio and Television.
45. Main Committee for Physical Education and Sports.
47. Main Tourism Committee.
49. Polish National Bank.
50. Main Statistical Office.
51. Central Geology Office.
52. State Atomic Energy Agency.
53. Higher Mining Office.
54. Patent Office of the Polish People's Republic.
55. Main Office for Control of Publishing and Public Performances.
56. Polish Press Agency.
57. Main Office of Surveying and Cartography.
59. Polish Committee on Standards, Measures, and Quality Control.
61. "Peasant Self-Help" Central Union of Agricultural Cooperatives.
62. Central Union of Labor Cooperatives.
63. "Spolem" Central Union of Consumer Cooperatives.
64. Central Union of Dairy Cooperatives.
65. Central Office of Fruit-Growers and Bee-Keepers Cooperatives.
66. "Prasa-Ksiazka-Ruch" Publishing Cooperative.
67. Central Handicrafts Union.
67. Central Union of Invalids Cooperatives.
69. Central Union of Housing Construction Cooperatives.
70. General Finance Administration.
71. National Union of Farmers, Agrarian Circles, and Agricultural Organizations.
72. "Cepelia" Central Union of Folk and Artistic Handicrafts Cooperatives.
73. Central Union of Blind Cooperatives.
81. Reserve Funds.
82. Compensatory Funds.
83. Unallocated income and expenditures.

## II. Classification of Sections

01. Industry.
31. Construction.
40. Agriculture.
43. Forestry.
50. Transportation and communication.
61. Domestic trade.
64. Foreign trade.
66. Miscellaneous material services.
70. Municipal economy.
74. Housing economy and nonmaterial municipal services.
77. Science.
79. General schools and educational development.

80. Vocational education.
81. Higher education.
83. Culture and art.
85. Public health.
86. Social welfare.
87. Physical education and sports.
88. Tourism and recreation.
89. Miscellaneous activity.
91. State administration.
92. Administration of justice and prosecutor's office.
93. Public security.
94. Finance.
95. Social security.
97. Miscellaneous clearings of accounts and settlements.
98. National defense.
99. Income from nonsocialized economy and population.
00. Investments and capital repairs.

### III. Classification of Chapters.

#### Note:

1. Chapter classification in the sections on industry, construction, agriculture, forestry, transportation and communication, domestic trade, foreign trade, and miscellaneous material services does not include a list of chapter numbers for settlements between state enterprise and the central budget (but includes instead chapter numbers for settlements between the state enterprises and local budgets and for settlements between cooperative enterprises and both central and local budgets). Chapter numbers in the above-mentioned sections are established by the bounding body, in cooperation with the Ministry of Finance, on the basis of statistical numbers according to the following principles:

- a) the first two digits of the number of the chapter for a given enterprise are taken from the statistical number for the first two symbols designating the branch of the national economy from the stem designating the branch affiliation (that is, the first and second figures of the third element in the second line of the statistical number).
- b) the third and fourth figures of the number of the chapter come from the two signs designating the symbol of the section (government department) from the element for organizational affiliation (that is, the first and second figures of the second element in the first line of the statistical number).

In this connection the four-figure chapter symbol for a given enterprise in the budget classification is composed of the symbol for the branch of the national economy plus the symbol for the section (government department). The name of the chapter is the name of the branch.

Example:

Statistical number:

0123866-18009401  
P 241 - 1 - 142 - 003

Chapter created on the basis of that statistical number: 1418 =  
enterprises of the building materials industry.

2. For a multiplant enterprise one chapter number is taken from the number corresponding to its fundamental activity.
3. The founding body notifies the Polish National Bank, the treasury chamber, and the enterprises involved, concerning the establishment or alterations of chapter numbers.
4. The possibility has been foreseen that there may be deviations from the above-mentioned principle for creating chapters, but this requires separate justification and the agreement of the Ministry of Finance (for example, to get around the need to create a separate chapter for a single small enterprise).

#### Section 01: Industry

##### Chapters

- 2351 Organizational units of dairy cooperative
- 2712 Printshops
- 2989 Office of plenipotentiaries of the Minister
- 2991 Organizational units of cooperatives of the blind
- 2993 Organizational units of folk and art handicraft cooperatives
- 2994 Organizational units of labor cooperatives
- 2995 Miscellaneous activity  
This chapter includes, for example, subsidiary economy units of the following types: 03, 07, 09, 10.
- 2997 State units of small-manufacturing
- 2998 Bonuses for specified activity

#### Section 31: Construction

- 3221 Construction and installation enterprises, subsidiary and service enterprises of the municipal economy
- 3223 Construction and installation plants (teams) and repair shops  
This chapter includes subsidiary economic units of the 04 type.
- 3224 Agricultural construction enterprises
- 3441 Office for Construction of the Upper Vistula Cascade
- 3484 Local construction enterprises
- 3451 Hydroconstruction and reclamation enterprises
- 3611 Surveying and geological-drilling enterprises
- 3711 Design offices and construction planning enterprises
- 3731 Project services groups

- 3911 Voivodship construction administrations
- 3989 Office of the Minister's Plenipotentiaries
- 3991 Geological projects (noninvestment projects)
- 3992 Surveying projects (noninvestment projects)
- 3993 Mining damages
- 3995 Miscellaneous activity
- 3998 Bonuses for specific projects

#### Section 40: Agriculture

##### 4012 Farms

This chapter includes, for example, subsidiary units of the 01-type

- 4015 Agricultural school farms
- 4016 Voivodship agricultural progress centers
- 4221 Fattening pens
- This chapter includes subsidiary units of the 02-type
- 4321 Voivodship agricultural investment administrations
- 5322 Agricultural technical service enterprises
- 4323 State farm technical service enterprises
- 4327 Agricultural State Technical Inspectorate
- 4332 Water service establishments
- 4333 Water cooperatives
- 4334 Enterprises for the upkeep of reclamation and water equipment
- 4381 Establishments for the raising of livestock
- 4382 Livestock production support
- 4383 Agricultural stations and crop production support
- 4389 Voivodship farmland and surveying offices
- 4411 Voivodship agricultural administrations
- 4491 Settlements with agricultural producer cooperatives
- 4492 Settlements from bank credit
- 4493 Gmina [parish] agricultural service
- 4494 Aid to private farms
- 4495 Miscellaneous activity
- 4496 Settlements with agrarian circles
- 4497 State aid in carrying out noninvestment volunteer projects
- 4498 State (Agricultural) Land Fund
- 4499 Gmina assets

#### Section 45: Forestry

##### 4512 Forestry and hunting management

This chapter includes, for example, subsidiary units of 01-type

- 4711 National parks
- 4995 Miscellaneous activity

#### Section 50: Transportation and Communication

- 5041 Railway-car inspectorate
- 5231 Maritime administrative offices
- 5232 Ship-broking companies
- 5331 Inland-navigation inspectorates

5421 Central Administration of Civil Administration  
5422 Office of Air Traffic and Airports  
5611 State public road units  
5612 Maintenance of local roads  
5831 State Radio Inspectorate  
6094 Bonuses for specific projects  
6095 Miscellaneous activity  
    This section includes, for example, 08-type subsidiary units  
6097 State aid in carrying out noninvestment volunteer projects

#### Section 61: Domestic Trade

6132 "Spolem" cooperative organizational units  
6133 "Samopomoc Chlopska" cooperative organizational units  
6181 Town marketplaces  
6211 Cafeterias and cafes  
6341 Organizational units of vegetable and beekeeping cooperatives  
6342 Organizational units of crafts and trades cooperatives  
6594 Bonuses for specified projects  
6595 Miscellaneous activity

#### Section 64: Foreign Trade

6494 Bonuses for specified drives  
6595 Miscellaneous activity

#### Section 66: Miscellaneous Material Services

6611 Polish Press Agency  
6612 "Prasa Ksiazka-Ruch" Publishing Cooperative Labor units  
6711 Electronic data processing establishments  
6712 Other information-service units  
6811 Research centers and independent bureaus of environmental monitoring  
6812 Standards and measures offices and assay offices  
6813 Metrological establishments  
6814 Central Product Quality Office  
6822 District water administration directorates  
6823 Odra Waterway Administration  
6824 State hydrological and meteorological service  
6831 Multibranch material services establishments  
6994 Bonuses for specified projects  
6995 Miscellaneous activity

#### Section 70: Municipal Services

7011 Municipal services establishments  
7221 Urban street-cleaning  
7231 Urban plantings of shrubs, trees, and flowers  
7261 Streets, squares, bridges, and aqueducts  
7262 Street lighting  
7281 Multibranch municipal services units

7311 Voivodship housing and municipal services administrations  
7391 Tax on the real estate of socialized economy's units  
7393 Employee garden plots  
7394 Bonuses for specified projects  
7395 Miscellaneous activity  
7397 State aid in carrying out noninvestment volunteer projects  
7398 Damages

#### Section 74: Housing Administration and Nonmaterial Municipal Services

7411 Housing administration enterprises  
7412 Housing administration establishments  
7414 Organizational units of housing construction cooperative movement  
7415 Repairs to private multi-dwelling buildings  
7416 Supplements for heat for private multi-dwelling buildings (from own boilers)  
7421 Miscellaneous municipal and housing administration services  
This chapter includes, for example, subsidiary establishments of the 05 type

7498 Settlements related to bank credit  
7521 Fire protection units  
7522 Installation of lightning rods  
7523 Volunteer fire departments  
7541 Voivodship administrations for the expansion of rural settlements and towns  
7542 Regional planning offices  
7543 Krakow's Administration for the Reassessment of the Value of Monumental Groups  
7551 Land management offices  
7694 Bonuses for specific drives  
7695 Miscellaneous activity  
7697 State aid in carrying out noninvestment volunteer projects  
7698 Damages

#### Section 77: Science

7711 Research units of the Polish Academy of Sciences  
7721 Ministry and branch research units  
7811 Scientific, technical and economic information units  
7821 Scholarly libraries  
7831 Scientific archives  
7841 Scholarly associations  
7881 Other units serving science  
7891 Research fund  
7892 Financing research of institutions of higher education  
7893 Foreign scientific-technical cooperation  
7894 Bonuses for completing research and development projects  
7895 Miscellaneous activity

## Section 79: General Education and Development

- 7911 Elementary schools for youngsters
- 7912 Basic (elementary) schools for adults
- 7913 School transportation for pupils
- 7921 General secondary schools for youngsters and adults
- 7931 Special general-education schools
- 7941 Boarding houses and scholarships for pupils of general schools
- 7961 Economic-administration groups of schools
- 7971 Educational and developmental associations
- 8211 Urban preschools
- 8212 Rural preschools
- 8213 Preschools of elementary schools
- 8221 Establishments for the care and development [of children]
- 8222 Aid to children in foster and natural families
- 8231 Institutions of extracurricular formation
- 8232 Children's day centers
- 8241 Camps and vacation centers
- 8242 Children's vacation camps
- 8243 Rural children's centers
- 8295 Miscellaneous activity
- 8297 State aid in carrying out noninvestment volunteer projects

## Section 80: Vocational Education

- 8011 Basic schools and equivalent
- 8012 Plant schools
- 8021 Vocational secondary and technical schools
- 8022 Artists' schools
- 8031 Post-secondary vocational schools
- 8041 Special vocational schools
- 8051 Boarding houses and scholarships for pupils of vocational schools
- 8061 Continuing-education and course-training centers
- 8095 Miscellaneous activity
- 8097 State aid in carrying out noninvestment volunteer projects

## Section 81: Higher Education

- 8111 Instruction and development activity
- 8121 Scholarship assistance
- 8122 Dormitories and cafeterias for college students
- 8124 Other student benefits
- 8131 Capital repairs to the buildings and construction of institutions of higher education
- 8195 Miscellaneous activity

## Section 83: Culture and Art

- 8311 Museums
- 8313 Conservation of monuments
- 8314 Artistic presentations office

- 8315 Polish film library (Filmoteka Polska)
- 8316 Studios for the visual arts
- 8317 Modern Art Center (Centrum Sztuki Wspolczesnej)
- 8322 Urban libraries
- 8323 Rural libraries
- 8331 Houses of Culture (Domy Kultury)
- 8332 Cultural centers
- 8333 Community centers and clubhouses
- 8341 Musical, artistic, and cultural associations
- 8411 Theaters, operas, and operettas
- 8412 Stage presentations
- 8412 Symphony, orchestras, choirs, and choral groups
- 8422 National Concert Office (Krajowe Biuro Koncertowe)
- 8431 Song and dance ensembles
- 8441 United Entertainment Enterprises (Zjednoczone Przedsiębiorstwa Rozrywkowe)
- 8451 Motion-picture enterprises
- 8452 K. Krzykowski Film Studio
- 8461 Polish Radio and Television
- 8462 Radio and television fees
- 8481 Pagart Polish Art Agency
- 8491 Cultural development funds
- 8495 Miscellaneous activity

#### Section 85: Public Health

- 8511 General health care
- 8512 Clinics and railway hospitals
- 8513 Treatment center of the Ministry of Health and Social Welfare
- 8514 Voivodship groups specializing in psychiatry and institutions for mental patients
- 8515 Tubercular sanatoriums
- 8516 Prevention and outpatient treatment centers
- 8517 Public-health centers of preventive medicine
- 8519 Blood banks
- 8521 Nurseries
- 8522 Institutions for the care of small children
- 8531 Epidemiological-health centers
- 8532 Epidemic prevention funds
- 8541 Health resorts
- 8542 Climatic treatment centers
- 8551 Ambulances and public-health transportation fleet
- 8552 Disinfection, dissection, and rat extermination facilities
- 8553 Repair shops for medical equipment
- 8591 Prescriptions under entitlement
- 8592 Climatic and sanatoriums
- 8594 Alcoholism treatment centers
- 8595 Miscellaneous activity
- 8597 State aid in carrying out noninvestment volunteer projects

#### Section 86: Social Welfare

- 8611 Social assistance homes
- 8612 Institution for vocational rehabilitation of invalids
- 8613 Noncash benefits and assistance
- 8614 State vocational activation fund
- 8621 Social organizations
- 8695 Miscellaneous activity

#### Section 87: Physical Education and Sports

- 8711 Physical education units and facilities
- 8712 Sporting events and sports in schools
- 8713 Projects for the popularization of physical education
- 8714 Sports and recreation centers
- 8715 Intermural sports centers
- 8721 Sports organizations
- 8722 Funds for the development of physical education and sports
- 8794 Bonuses for specific projects
- 8795 Miscellaneous activity
- 8797 State aid in carrying out noninvestment volunteer projects

#### Section 88: Tourism and Recreation

- 8811 School youth hostels
- 8822 Tourism enterprises
- 8824 Tourism and recreation funds
- 8825 Projects to popularize tourism
- 8826 Tourist information centers
- 8841 Vacation centers
- 8851 Tourist organizations
- 8894 Bonuses for specific projects
- 8895 Miscellaneous activity
- 8897 State aid in carrying out noninvestment volunteer projects

#### Section 89: Miscellaneous Activity

- 8933 Census Bureau
- 8934 General census and others
- 8971 Multibranch establishments for nonmaterial services
- 8981 Facilities for recovery from alcoholic intoxication [drunk tanks]
- 8983 Specified projects
- 8991 Standardization
- 8992 Vocational counselling and orientation centers
- 8994 Distribution of food stamps and the like
- 8995 Miscellaneous tasks
- 9621 Trade union organizations
- 9631 Social organizations

## Section 91: Public Administration

- 9111 National governmental bodies
- 9112 Miscellaneous units of national government
- 9121 Foreign missions
- 9122 Foreign scientific-technical and economic cooperation
- 9131 Local units subordinate to central government
- 9133 Consultive Economic Council (Konsultacyjna Rada Gospodarcza)
- 9141 People's councils, commissions and presidiums of people's councils
- 9142 Voivodship offices and offices of cities with voivodship rank
- 9143 Urban governmental offices
- 9144 Gmina (town and gmina) governmental offices
- 9145 Miscellaneous line budget bodies and institutions
- 9191 Peer groups to handle misdemeanor cases
- 9192 Pay commissions
- 9193 Examination commissions
- 9194 Percentage remuneration from taxes collected
- 9195 Miscellaneous activity
- 9197 Salaries of village administrative officers
- 9198 Damages

## Section 92: Administration of justice and district attorney's office

- 9211 Supreme judiciary units
- 9212 General court system
- 9213 Labor and insurance court system
- 9214 Notaries
- 9215 Miscellaneous units of justice system
- 9217 Administrative courts
- 9221 Supreme prosecution units
- 9222 Voivodship and regional district attorney's offices
- 9231 Prison system
- 9232 Institutions for minors
- 9291 Damages
- 9295 Miscellaneous activity

## Section 93: Public Safety

- 9311 Public safety

## Section 94: Finance

- 9411 Banks and other financial and credit institutions
- 9421 Lotteries and games of chance
- 9431 Foreign credit obtained (state credit)
- 9432 Foreign credit granted (state credit)
- 9433 Repayment of consolidated debts
- 9434 Settlements for costs of undertakings carried out abroad
- 9435 Domestic loans
- 9495 Miscellaneous activity
- 9511 Property and personal insurance institutions

## Section 95: Social Security

- 9521 Central Social Security Agency
- 9522 Departments of Social Security Agency
- 9523 Commissions of physicians to judge invalids' cases
- 9592 Preventive treatment for insured
- 9593 Family benefits
- 9594 Other benefits and payments
- 9595 Miscellaneous activity
- 9596 State veterans' fund
- 9597 Retirement fund
- 9598 Farmers' retirement fund
- 9599 Subsistence fund

## Section 97: Miscellaneous Settlements and Clearings of Accounts

- 9711 Local budget income from payroll tax
- 9713 Income established as a percentage of the value of goods and services sold at retail
- 9721 Compensatory subsidies
- 9722 Subsidies from funds from voivodship-level budget
- 9723 Miscellaneous special-purpose subsidies
- 9724 Settlements between budgets at the basic and voivodship level
- 9725 Settlements between basic-level budgets within the voivodship budget
- 9726 Settlements between voivodship budgets
- 9727 Subsidy for investments of the people's councils
- 9731 Compensatory payments
- 9741 Miscellaneous financial clearings and settlements
- 9771 Budget surplus from previous year
- 9772 Income to be explained
- 9773 Income for clearing of accounts
- 9779 Deposits in accounts
- 9781 General reserves

## Section 98: National Defense

- 9811 National defense

## Section 99: Income From Nonsocialized Economy and From the Population

- 9911 Taxes and payments from private farms
- 9912 Taxes and payments from private production and service activity
- 9913 Taxes and payments collected from the population

## Section 00: Investments and Capital Repairs

- 0091 Investments of state enterprises

This chapter includes subsidies to finance central investments, the investments of enterprises (in cases specified in the regulations regarding the principles of financial administration of state enterprises and other

regulations), investments carried out in the enterprises on the basis of decisions of local bodies of public administration and repayment of bank investment credit.

0093 Investments and capital repairs of budget-financed institutions and units

This section includes subsidies for the investments of budget-financed institutions and units, including those for national government investments and for capital repairs.

0094 Investments of social organizations

This chapter includes subsidies to supplement social, political, and professional organizations' own funds allocated to finance investments related to these organizations' statutory activity.

0095 Local housing funds

0097 Volunteer investment projects

This chapter includes subsidies for state financial assistance in carrying out volunteer investment projects.

0098 Investments and capital repairs of research units and institutions of higher education

This chapter includes subsidies for construction concerning the basic activity of research units and institutions of higher education, along with subsidies to purchase finished capital goods, for central investments, and for capital repairs concerning the fundamental activity of those research units which are budget-financed units.

0099 Reserves for investments and capital repairs

This chapter includes ministry and voivodship reserves for investments and capital repairs, except for reserves for volunteer projects contained in chapter 0097. The funds included in this chapter are utilized in the course of executing the budget by making transfers to corresponding chapters (0091-0098) encompassing subsidies for investments and capital repairs.

IV. Classification of Income Paragraphs (with Explanations)

Paragraph

- 11 Turnover tax
- 12 Payments out of profits
- 16 Income tax
- 18 Ad hoc stabilization tax (nonrecurring)

## 19 Miscellaneous settlements

This chapter concerns other settlements of enterprises not specified in other paragraphs, and it pertains, for example, to the following:

- fines and penalties for violating financial discipline,
- fines for exceeding the consumption ceilings for certain fuels and electric power,
- interest for delays in settlements by units of the socialized economy,
- settlements from previous years,
- lapsed obligations.

## 24 Depreciation payments

## 25 Income from overestimating stock and reserves

This paragraph includes the income from the results of overestimating the stocks of raw and other materials, production in progress, and finished goods and commodities.

## 29 Payroll tax

## 31 Lump-sum taxes on cooperative service establishments

## 32 Tax on the real property of units of the socialized economy

## 33 Combined (unified) tax

## 34 Rural taxes and fees from producer cooperatives

Income from taxes and fees from agricultural producer cooperatives are contained in chapter 4491.

## 35 Rural taxes and fees from units of the socialized economy

Income from the rural taxes and fees from units of the socialized economy are contained in chapter 4496 (for agrarian circles) and paragraph 4495 (for other units).

## 36 Turnover and income tax from social organizations, from foreign agencies

Income from taxes on social organizations are contained in chapter 9631, and income from taxes levied on physical and legal parties with a foreign residence or headquarters, operating in economic activity based on permission granted by supreme bodies of government administration or obtaining other income within the Polish People's Republic are contained in chapter 9912.

37 Land tax on state farms

38 Social security premiums from the socialized economy

41 Income from the services to units of the socialized economy

42 Income from services to the population

43 Income from sales of goods and components of assets

51 Rural taxes and fees from private farms

This paragraph includes the following:

- land tax from estimated income, income of the State (Agricultural) Land Fund, fee for the installation of electricity, reclamation fee, water-installation and equipment fee, tax on real property within gminas, and payments for debts incurred therefrom collected under the auspices of joint monetary obligations,
- land tax on income from horse-and-cart operations and lump-sum tax from the extraction of minerals.

52 Turnover and income tax from the crafts and trades

53 Turnover and income tax on private service and production activity outside the crafts and trades

54 Tax on remuneration

55 Tax on real property and facilities

These taxes apply to real estate and building facilities in towns

56 Tax on gifts and bequests

57 Compensatory tax

58 Treasury fee

The treasury fee for engaging in trades and crafts pursuant to confirmation of the announcement of the performance of the crafts and trades is contained in chapter 9912, and the treasury fee other than this is contained in chapter 9913.

59 Miscellaneous local fees and taxes

This chapter includes the following:

- tax on dog ownership,
- health-resort fee,
- vehicle fee,
- market-place fee,
- administrative fees for the activity of local bodies of government administration conducted by virtue of resolutions of the people's councils other than those included in the treasury-fee regulations, with the exception of the fees mentioned in separate paragraphs.

#### 64 Miscellaneous fees

This paragraph includes the fees collected by units of the government administration, units of the justice system, and other budget-financed units, the following in particular:

- customs fees,
- passport fees,
- notarial and court fees,
- arbitration fees,
- fees and charges for assuming the use of farmland for nonagricultural purposes,
- fees for access to water and water-system facilities belonging to the government,
- rents and also fees for handling remittances owed,
- motor-vehicle registration fees,
- payments to cover the cost of administrative proceedings,
- examination fees,
- tourism fees,
- fees for registration tags on mechanical vehicles concerning operating condition and technical inspections
- fees for identification cards, registration forms, and other forms
- fees for the training of foreign students in Poland in keeping with agreements,
- miscellaneous fees collected by organizational units (for example, for placing in voivodship people's council newspapers announcements about the loss of personal identity cards, registration cards, payment to cover associated costs).

#### 66 Social-security premiums from units of nonsocialized economy

#### 67 Employee premiums

#### 68 Turnover and income tax from enterprises of Polish emigres abroad

The turnover and income tax income from such enterprises is contained in paragraph 9912.

#### 69 Outstanding payments from cancelled taxes

This paragraph includes cancelled taxes, that is, income from cancelled taxes and fees the basis for whose exaction has expired and associated remittances as well as combined remittances (contained in chapter 9913).

#### 71 Shares and dividends

#### 72 Surpluses of budget-financed establishments, special funds, subsidiary economic units, special-purpose funds, and cultural and artistic organizational units

In the administration of nonbudgetary funds in Paragraph 7 the name "Budget subsidies" should be used and subsidies obtained from the budget should be included in it.

#### 76 Fines, penalties, and interest on delayed payments

This paragraph includes fines and penalties imposed on the population and collected by courts and appropriate bodies of the government administration, including fines imposed by misdemeanor-review groups, fines imposed in the form of penal judgments, and cash penalties and fines exacted on the basis of penal treasury law, including interest charged for delayed payment of taxes and fees by the nonsocialized economy and the population (contained in chapter 9913).

#### 77 Miscellaneous income

This paragraph includes all other income of budget-financed establishments and units not covered by specific paragraphs, especially the following:

- settlements from prior years,
- lapsed obligations,
- fines for violation of financial discipline,
- fines for violating environmental protection regulations,
- interest for delayed payments from units of the socialized economy,
- repayment of scholarships and repayable benefits issued during college study, repayment of training costs in the event the graduate does not accept a position of employment, and so on.

#### 81 Settlements of state foreign credit

#### 82 Interest on state foreign credit

#### 83 Deposits in accounts

#### 89 Transfer of budget surpluses

Note: Paragraphs 91-97 include income in clearings of accounts between the central budget and local budgets, between local budgets at various

levels, and between various parties with access to nonbudgetary funds. This income is handled through cash transfers which do not violate the overall level of funds. They only create shifts of these funds between groups engaged in settlements.

#### 91 Funds obtained from local budgets

This paragraph appears in the central budget and includes the income from settlements between the voivodship budgets and the central budget (compensatory transfers, settlements of special-purpose subsidies).

#### 92 Funds obtained from the central budget

This paragraph appears in the voivodship budgets and includes income from central-budget settlements with local budgets.

#### 93 Funds obtained from voivodship budgets

This paragraph appears in the basic-level budgets and includes income from voivodship budgets' settlements with basic-level budgets (it applies also to settlements of funds which the voivodship budget obtains from the central budget, as well as income from subsidies from the direct funds of the people's councils and the basic-level budget's shares of the income of the voivodship budget).

#### 94 Funds obtained from the basic-level budgets

This paragraph appears in the voivodship budgets and includes the income from settlements between the budgets at the basic level and the voivodship budget (compensatory transfers, voivodship-budget shares of income of the budgets at the basic level, settlement of special-purpose subsidies).

#### 95 Funds obtained from local budgets of the same level

This paragraph appears as follows:

- in voivodship budgets, where it includes income from settlements with other voivodship budgets,
- in basic-level budgets, where it includes income from settlements with other basic-level budgets in the voivodship.

#### 96 Redistribution transfers

This paragraph appears only in budget-financed establishments, special resources, and special-purpose funds and includes transfers of funds among parties with access to the same sort (type) of nonbudgetary funds.

#### 97 Miscellaneous transfers

This paragraph appears only in budget-financed establishments, special resources, and special purpose funds, and includes transfers between various sorts (types) of nonbudgetary funds. This paragraph also includes transfers between special-purpose local and central funds.

98 Income to be explained

99 Gifts in kind.

#### V. Classification of Expenditure Paragraphs (With Explanations)

Note:

The paragraphs mentioned below should be grouped as follows:

	Paragraph Nos
Remuneration	11-17
Miscellaneous personal expenditures and social benefits	22-25
Materials and services	28-38
Miscellaneous expenditures (subsidies)	39-49
Subsidies for enterprises	51-55
Subsidies for investments and capital repairs	71-75
General reserves	81-84
Transfers	91-97

Principles for the classification of remuneration contained in paragraphs 11-17 are defined in separate regulations.

#### Paragraphs

11 Personnel payroll fund

12 Nonpersonnel payroll fund

13 Honorarium fund

14 Commission fund

15 Bonuses and other remuneration

16 Adjustments to compensate for price increases

17 Plant bonus fund

22 Social benefits

This paragraph includes social benefits for physical persons provided for in the regulations which apply and in group labor contracts, especially the following:

- retirement pay and pensions,
- social-security benefits (family allowances, maternity benefits, custodial allowances, and so on),
- assistance to people under one's care,
- allowances for families of persons in military service,
- health-care benefits for teachers,
- orthopedic appliances for invalids,
- nonrecurring invalids' benefits for household equipment, linen, sheets, clothing, and the like,
- infant layettes.

### 23 Scholarships for pupils

This paragraph includes the following:

- scholarships for pupils of elementary and secondary schools of all types, payment by the vocational school to cover the transportation costs and a lump sum for meals for apprentices in vocational practical-training programs in plants during the school year,
- expenditures to buy uniforms for pupils and apprentices and other non-cash benefits (for example, medical treatment, transportation).

### 24 Miscellaneous scholarships

This paragraph includes the following:

- academic fellowships (for persons working towards a doctorate or docent degree),
- foreign training and education of students,
- foreign internships and travel abroad for scientific and academic purposes,
- aid to persons studying in Poland and referred abroad for training and scientific-research purposes (including travel costs) and to foreigners in Poland for practical training or interships,
- meal supplements for students of training courses to cover the difference between the full cost of meals (in keeping with rates in effect) and the charges paid by the students,
- benefits to which active teachers studying by extension are entitled in the realm of room and board for consultation periods lasting several days.

### 25 Miscellaneous expenditures for the benefit of physical persons

This paragraph includes all other cash payments and noncash benefits made on behalf of physical persons, if they are not included in the expenditures

of paragraphs 11-17 or 22-24, and pertains to the following, for example:

- travel allowances of deputies,
- travel allowances of council members and members of commissions of the people's councils,
- benefits for employees entitled to them for transfers to work in other localities,
- rents for housing for teachers,
- state financial assistance for ongoing repairs and supplements for heating (from own boilers) of private multiapartment buildings.

#### 28 Domestic travel on business

This paragraph includes expenditures for business travel within the country in keeping with the regulations of Council of Ministers Resolution No 90, dated 27 April 1973, on travel allowances and other funds for domestic travel on business (MONITOR POLSKI 1981: No 14, Item 106, and 1982: No 4, Item 19), as well as other expenditures based on separate regulations and included as domestic business travel expenses, for example, lump-sums and reimbursement of costs incurred by employees to use their own vehicles for business purposes within the administrative boundaries of the town or gmina.

#### 29 Foreign travel on business

This paragraph includes expenses for foreign travel on business, including:

- foreign business travel and training trips of one's own employees (transportation, travel allowances, and lodging)
- foreign business travel of persons not one's own employees.

#### 31 Nondurable items and materials

This paragraph includes ongoing expenditures to buy any sort of material goods designated for nonrecurring use and nondurable items (except for expenditures related to transport listed separately on the bill). This does not include in this paragraph the purchases of durable goods specified in Council of Ministers Resolution No 108, dated 3 November 1980 on the principles by which units of the socialized economy figure the means of labor and other objects and equipment for long-term use and fixed assets (MONITOR POLSKI No 29, Item 160) or purchases made from paragraphs 32, 33, 34, or 38, or purchases of goods transferred to physical persons within the framework of allowances and other noncash benefits awarded out of personal expenditures.

#### 32 Funds for food

This paragraph covers full expenses of buying food for people entitled to boarding houses, cafeterias, for children in nurseries and preschools, the sick in hospitals, blood donors, persons being cared for in institutions, persons attending camps, people in prisons, and so on, except for expenditures to provide food for personnel included in the group of paragraphs which cover remuneration. Charges for food include appropriate allotments of income. This paragraph also includes expenditures to buy and maintain livestock designated for slaughter for the direct needs of the above-mentioned institutions, in the event that these outlays are not included in the financial plan of a subsidiary economic unit.

### 33 Pharmaceutical and health products

This paragraph covers the supplement to cover the costs of drugs for persons entitled to them, expenditures of health and treatment facilities, custodial institutions, institutions for the incurably ill, and veterinary establishments for the purchase of drugs, blood from blood-donors, bandages, packaging for drugs, X-ray film, paper, and chemicals, materials for analyses, and nutritive mixtures for children in milk kitchens.

### 34 Advertising fund

This paragraph covers all expenses directly related to advertising and representation consistent with Council of Ministers Resolution No 173, dated 12 November 1979, on the advertising expenses of state organizational units (MONITOR POLSKI 1979: No 28, Item 145 and 1980: No 13, Item 55).

### 35 Power

This paragraph covers payments for the delivery of electric, thermal, or other power, and for gas and water.

### 36 Material services

This paragraph covers expenditures to buy material services (except for expenditures to buy services rendered by the physical persons covered in paragraphs 11-15), in particular the following:

- services of others, of an industrial nature, consisting mainly of restoring the utilitarian value of industrial goods or of upgrading the utilitarian value of these goods, including the following: preservation and repair of industrial goods, such as machinery, vehicles, equipment, implements, or clothing, and printing, bookbinding, copying, and duplicating services,
- construction and installation services in the realm of intermediate and ongoing repairs to and the preservation of buildings and facilities, including the costs of ordering the drafting of typical documentation and of ordering the preparation of designs,

- transportation services related to carrying things, such as: fees for hauling all sorts of goods using somebody else's vehicles for purchases to be delivered at the suppliers' warehouses and the costs of loading and unloading, unless they are specified in the bill for transportation, for example, the transport of fuel along with delivery to basements,
- charges for postal, telephone, and telegraphic services,
- services in realm of maintaining and repairing roads,
- laundry services,
- services of sweeping chimneys, hauling garbage, and maintaining parks and planted areas,
- local employee transport, supplements to employee railway or bus tickets, and supplements to tickets of pupils commuting to joint schools
- supplements to the costs of maintaining cafeterias run by another employer,
- services of automatic and mechanical data-processing centers.

### 37 Nonmaterial services

This paragraph encompasses expenditures to buy nonmaterial services (with the exception of expenditures to buy services rendered by the physical persons included in paragraphs 11-15), including the following in particular:

- municipal and housing services, including expenditures to cover the difference between the rent a graduate pays for housing appropriate for him and the charge for substitute quarters, the charge to rent halls, expenses related to lodging training course participants, expenses for maintaining foreigners (for example, hotels, food, transportation), rent paid for facilities, charges for funeral services, for example, for people entitled to them, people under care,
- services related to education and development and to higher education, including the reimbursement of the costs of meals in boarding houses paid to educators in the children's homes and other development institutions, expenses related to commuting, lodging, and feeding of pupils, children on excursions and attending presentations which have been planned under instruction and development programs, charges for using consulting centers set up by financial institutions and enterprises, charges for studies in the realm of continuing education of personnel set up by institutions of higher education,

- services in the realm of public health and social welfare, including reimbursement of costs of treatment to insured persons in justified instances where they seek private health care, expenditures related to medical analysis ordered from outside units, X-rays, treatment baths, and so on,
- services in the realm of art and culture, physical education and sport, and tourism and recreation, including radio and television subscription fees, charges for entertainment, tourist, and other services, charges for using the services of outside children's vacation facilities, outside family vacation facilities, and so on,
- scientific-research services,
- miscellaneous services, including advertising services, concerning announcements, publicity, services of an expert nature performed by legal parties, the dissemination of publications, motor vehicle inspection, and the purchase of registration plates,
- bank commissions and costs.

#### Academic and didactic assistance

This paragraph appears

- in sections 79, 80, and 81 and includes the purchase of products and materials which provide academic and instructional support and the purchase of equipment used in the teaching process,
- in section 85 and includes the purchase of medical equipment (and in these places the name "Medical equipment" is to be used),
- in sections 77 and 83 (in academic and public libraries) and includes the purchase of books (and in these places the name "Purchase of books" is to be used).

#### Penal interest and penalties

This paragraph includes in budget-financed units the expenditures of an extraordinary-loss nature, such as damages, fines, and penalties paid, the costs of arbitration or court proceedings, interest for delayed payments, but it does not include exceptional losses stemming from damages and deficiencies causing changes in asset components and recordkeeping without causing a direct increase in expenditures.

In budget-financed establishments this paragraph bears the name "Extraordinary losses" and includes all extraordinary losses according to the explanations for a typical accounting plan.

This paragraph is not to be used in planning.

#### **Social security premiums**

This paragraph includes premiums for social security paid by the employer on behalf of the persons employed.

#### **Miscellaneous fees and dues**

This paragraph includes various sorts of payments for public-law reasons, various sorts of dues paid to domestic and foreign institutions, especially the following:

- motor vehicle registration fees,
- fees to insure motor vehicles including the driver and passengers,
- fees for domestic patents,
- fees for publishing discoveries,
- fees of branch agreement participants,
- fees for executive departments of local agencies of government administrative bodies for obtaining remittances dues as the result of executive action,
- dues for international institutions, domestic social organizations, and others,
- premiums for personal insurance paid to the State Insurance Agency by the employer on behalf of the persons employed,
- cost of disability insurance of interns,
- various sorts of material insurance,
- reimbursement of benefits paid by the Social Security Agency,
- refund of damages paid by the State Insurance Agency,
- royalties paid for ZAIKS Authors Association,
- housing deposits,
- share in cost of maintaining (using) buildings,

- the government's share in companies, in the international economic cooperation bank and the international investment bank,
- transfer of an equivalent part of forestry payments and transfers for state farms and state forest enterprises for fees due for leasing common hunting grounds and for charges of wildlife taken,
- depreciation payments.

#### 43 Deductions for plant social fund

#### 44 Deductions for plant housing fund

#### 45 Compensatory subsidies for social organizations

This paragraph includes subsidies for social organizations to balance the financial plan section applying to administrative activity.

#### 47 Budget-financed subsidies

This paragraph includes budget-financed subsidies for budget-financed establishments, subsidiary economic units, special funds, and special-purpose funds, as well as those for research units and institutions of higher education, and subsidies for the cultural development fund for organizations units of culture and art. This paragraph also includes the expenditures for scholarships funded by employing institutions and turned over the institutions of higher education and subsidies made out of the budget for repairs to the plant and buildings of institutions of higher education. In managing nonbudget funds in this paragraph, the name "Payment of surpluses" should be used, and in it should be included the payment of surpluses into the budget.

#### 48 Other subsidies

This paragraph includes the following:

- subsidies in the form of supplements to school cafeterias, clubroom cafeterias, and so on,
- expenses related to budget subsidies for production tasks in organizational units of agrarian circles, agricultural producer cooperatives (subsidies for production services, aid to water companies, supplements in the purchase of livestock, subsidies to cover the cost of employing technical-engineering personnel in agrarian circles and unions of them and in producer cooperatives, and so on),
- subsidies for units subordinate to the Central Administration of Public Roads (to maintain and repair roads and to maintain line services and operation regions).

#### 49 Miscellaneous expenditures

This paragraph includes the following:

- the equivalent in zlotys of foreign-exchange expenditures for the maintenance of foreign agencies, capital-investment repairs to these facilities, remuneration and other benefits paid in foreign-exchange currency to employees sent to work at the Council for Mutual Economic Assistance, and at international organizations abroad,
- zloty expenditures to maintain foreign agencies and the capital-investments repairs to these facilities, and, in particular, expenditures to buy materials and inventory for foreign agencies, moving expenses and vacation travel of employees, and couriers' travel expenses.

#### 51 Product subsidies

This paragraph includes subsidies granted out of the central budget to enterprises to finance the sale of items and services (as specified by the Council of Ministers) at prices lower than direct production costs or procurement prices.

#### 52 Financing subsidies

This paragraph includes subsidies granted to enterprises to balance adverse financial figures resulting from operations and to supplement enterprise funds.

#### 53 Miscellaneous subsidies for enterprises

This paragraph includes the following in particular:

- subsidies to finance assets in circulation, if the regulations in force allow for the budget to provide financing to cover the part of growth or shortage of assets in circulation not covered by available funds, and subsidies to supply initially the assets in circulation,
- subsidies for state agricultural enterprises and state farms,
- subsidies for subsidiary economic units for economic settlements.

#### 54 Reimbursement of accumulation for mining

#### 55 Subsidies for housing and municipal economy

This paragraph includes the following:

- subsidies granted from local budgets to enterprises of the housing and municipal economy to make up the differences between the official or regulated price and the costs of the services rendered plus a profit,
- subsidies granted out of the central budget to housing cooperatives to cover the increased costs of maintaining residential buildings.

58 Interest on foreign bank credit

59 Subsidies for compensation in foreign trade

61 Clearings of accounts with banks

This paragraph in particular covers clearings with banks as follows:

- settlements of credit remission for the housing economy and agriculture as well as differences in the interest on this credit,
- refund of insurance premiums on housing deposits,
- coefficient differences in noncommercial remittances.

62 Settlements for state foreign credit

63 Interest on state foreign credit

Note: In the paragraph group 71-75 no separate paragraphs were set aside to cover the reserves for investments and capital repairs. These reserves should be planned within the appropriate paragraphs 71-75 under chapter 0099.

71 Subsidies for investments

This paragraph includes all sorts of investment subsidies, except for subsidies to buy finished capital goods included in paragraph 72 and central investment subsidies included in paragraph 75.

72 Subsidies for investment purchases of budget-financed units

This paragraph includes subsidies to finance investment purchases of budget-financed establishments and units (including expenditures consisting of minor installation projects, such as the construction of foundations, installation and hook-up of power, and so on, which will make it possible to put into operation the investments purchased), transport costs related to investment purchases, and purchases of finished installations in the form of buildings together with land development.

### 73 Subsidies for capital repairs

This paragraph includes subsidies for capital repairs

- to budget-financed units and establishments,
- to public roads and bridges,
- made under the auspices of volunteer projects.

### 74 Subsidies to repay bank credit

This paragraph includes budget-financed subsidies to enterprises for the repayment of investment credit granted by banks.

### 75 Subsidies for central investments

This paragraph includes subsidies for all sorts of investments which have been classified as central investments.

### 81 Reserves

This paragraph includes reserves for ongoing expenditures which are part of the plan; these funds are used in the course of carrying out the budget, by way of budget-credit transfers.

### 82 Reserves for noninvestment volunteer projects

### 83 Special expenditures

This paragraph includes expenditures of the Ministry of National Defense and the Ministry of Internal Affairs and, in planning only, expenditures of the antiepidemic and antiepzootic fund and flood control fund.

### 84 Discretionary fund

This paragraph includes discretionary expenditures planned solely on the basis of government resolutions.

Note: Paragraphs 91-97 include expenditures appearing in settlements between the central budget and local budgets, between local budgets of various levels, and between various holders of nonbudget funds.

These expenditures are made through cash transfers which do not upset the overall level of funds but only shift these funds among budgets engaged in the settlements and clearings of accounts.

#### 91 Funds transferred to the central budget

This paragraph appears in voivodship budgets and includes expenditures from voivodship budgets' settlements with the central budget (compensatory contributions, settlements for special-purpose subsidies).

#### 92 Funds transferred to local budgets

This paragraph appears in the central budget and includes expenditures from central budget settlements with the voivodship budgets

#### 93 Funds transferred to basic-level budgets

This paragraph appears in voivodship budgets and includes expenditures from voivodship budgets' settlements with basic-level budgets (this pertains both to settlements of funds which the voivodship budget obtains from the central budget and to the transfer of subsidies from the direct funds of the people's councils and sections of the basic-level budget in voivodship budget income).

#### 94 Funds transferred to the voivodship budgets

This paragraph appears in basic-level budgets and includes expenditures for settlements between these budgets and the voivodship budget (compensatory contributions, settlements for special-purpose subsidies).

#### 95 Funds transferred to local budgets of the same level

This paragraph appears:

- in voivodship budgets and includes expenditures from settlements with other voivodship budgets,
- in basic-level budgets and includes expenditures from settlements with other basic-level budgets in the voivodship.

#### 96 Redistribution transfers

This paragraph only appears in budget-financed establishments, special resources, and special-purpose funds, and it includes transfers of funds among various holders of nonbudgetary funds of the same sort (type).

#### 97 Miscellaneous transfers

This paragraph appears only in budget-financed establishments, special resources, and special-purpose funds, and it includes transfers between various sorts (types) of nonbudgetary funds.

This paragraph also includes transfers between special central and local funds.

VI. Division of the Paragraphs Into Items in the Realm of Certain Income and Expenditures of Budget-Financed Institutions and Special Funds

A. Income

Budget-financed Institutions

1. In all budget-financed institutions in the realm of social and cultural facilities.

§ 42 -- Income from services for the population

Item 421 -- Compulsory fees for using facilities

Item 422 -- Personnel charges for food

Item 423 -- Other fees for services

§ 77 -- Miscellaneous revenue (income)

Item 771 -- Contributions out of plant social fund

Item 772 -- Contributions from parent committees and social organizations

2. In design services groups

§ 41 -- Income from services to units of socialized economy

Item 411 -- Income from socialized economy from design service sales (excluding agriculture)

Item 412 -- Income from socialized farming from sales of design services

Item 413 -- Other income

3. In institutions of housing administration

§ 41 -- Income from services for units of the socialized economy

Item 411 -- Rents and taxes on residential facilities

Item 412 -- Rents, charges, and taxes on utilitarian facilities

Special-purpose Funds

1. In the retirement fund, the farmers' retirement fund, and the subsistence fund.

§ 77 -- Miscellaneous revenue (income)

Item 771 -- Reimbursement of improperly imposed charges and contributions made by those required to pay subsistence

Item 772 -- Payments of recourse remittances (naleznosci regresowe)

Item 773 -- Foreign institutions' payments for pensions of Polish citizens

Item 774 -- Interest on deferred payments  
Item 775 -- Income from unclaimed overpayments

2. In local housing funds

§ 64 -- Miscellaneous fees

Item 641 -- Income from the population from fees for use of lands, buildings, and equipment (in perpetua use and leases)

Item 642 -- Income from units of the socialized economy for use of lands, buildings, and equipment (in perpetua use and leases)

Item 643 -- Other income from the population

Item 644 -- Other income from units of the socialized economy

3. In funds of voluntary social benefits

§ 77 -- Miscellaneous revenue (income)

Item 771 -- Payments from National Public Health Fund

Item 772 -- Payments from Fund for the Development of Agriculture

Item 773 -- Other income

4. In water administration funds

§ 64 -- Miscellaneous fees

Item 641 -- Income from charges for water

Item 642 -- Income from waste-water management fees

Item 643 -- Income from fees for the use of water and water-system equipment for floating and navigation purposes

Item 644 -- Income from fees for materials obtained from water

5. In central and voivodship funds for the development of physical education and sports

§ 77 -- Miscellaneous revenue (income)

Item 771 -- Payments from profits of "Totalizator Sportowy" State Sports Lottery Enterprise

Item 772 -- Voluntary contributions from physical persons

Item 773 -- Voluntary contributions from social organizations and enterprises

Item 774 -- Payments of "Start" Association of Sports Labor Cooperatives

Item 775 -- Income contributions from sporting events

Item 776 -- Supplements to the price of admission for sporting events and competitions

Item 777 -- Other income

6. In central and voivodship tourism and recreation funds

§ 77 -- Miscellaneous revenue (income)

- Item 771 -- Voluntary contributions of state organizational units, cooperative and social organizations, and companies
- Item 772 -- Repayment of loans
- Item 773 -- Interest on loans
- Item 774 -- Reimbursement of subsidies from previous years not used
- Item 775 -- Favorable differences in prices in foreign tourism
- Item 776 -- Share of profits from local lotteries
- Item 777 -- Contributions from activity of units of the nonsocialized economy and physical persons in the realm of tourism and lodging
- Item 778 -- Other income

7. In local environmental protection funds

§ 64 -- Miscellaneous fees

- Item 641 -- Fees for having polluted the air
- Item 642 -- Fees for removal of trees requiring permission of local bodies of government administration
- Item 643 -- Fees for storage of waste
- Item 644 -- Other fees

§ 77 -- Miscellaneous income

- Item 771 -- Fines for violating ground and water pollution regulations and waste management regulations
- Item 772 -- Fines for violating air pollution regulations
- Item 773 -- Fines for damage to green-belt and planted areas and for removal of trees without required consent of local government body
- Item 774 -- Fines for violating waste disposal regulations
- Item 775 -- Income from other fines

8. In central and local funds for the development of culture

§ 72 -- Budget-financed subsidies

- Item 721 -- Subsidies (shares) of local budgets designated for the financing of investments (in the central fund, central-budget subsidies to finance investments)
- Item 722 -- Funds allocated by the people's councils out of budget surpluses
- Item 723 -- Contribution of surpluses of the funds in circulation held by units of culture and art organizations

§ 77 -- Miscellaneous revenue (income)

- Item 771 -- Voluntary contributions, gifts, and allowances from legal and physical persons and funds transferred by foundations

- Item 772 -- Fixed or periodic supplements to prices of admission to cultural presentations
- Item 773 -- Voluntary payments out of the plant social fund of units of the socialized economy
- Item 774 -- Supplements to prices of items for cultural use

## **B. Expenditures**

### **Budget-financed Establishments**

#### **1. In design-services groups**

##### **§ 12 -- Nonpersonnel payroll fund**

- Item 121 -- Remuneration for services rendered for the population
- Item 122 -- Remuneration for services performed on behalf of the socialized economy (excluding agriculture)
- Item 123 -- Remuneration for services performed on behalf of socialized farming

### **Special-purpose Funds**

#### **1. In the retirement fund, farmers' retirement fund, and state veterans' fund**

##### **§ 22 -- Social benefits**

- Item 221 -- Pensions and retirement pay
- Item 222 -- Funeral benefits
- Item 223 -- Nonrecurring job-related accident and occupational disease benefits [workmen's compensation]
- Item 224 -- Other benefits for private farmers
- Item 225 -- Temporary financing of veterans' fund benefits
- Item 226 -- Emergency assistance for veterans and concentration camp prisoners

#### **2. In local housing funds**

##### **§ 71 -- Expenditures for investments**

- Item 771 -- Costs of developing land for housing construction
- Item 712 -- Costs related to the sale of real estate
- Item 713 -- Other costs

#### **3. In central and voivodship funds for the development of physical education and sports**

##### **§ 46 -- Special subsidies for social organizations**

- Item 461 -- Subsidies for social physical education and sports organizations for ongoing mass physical education activity

Item 462 -- Subsidies for social physical-education and sports organizations for sports competitions

Item 463 -- Subsidies for social physical-education and sports organizations for investment activities and capital repairs

§ 97 -- Miscellaneous transfers

Item 971 -- Transfers for voivodship funds for the development of physical education and sports to finance ongoing activity out of the central fund for the development of physical education and sports

Item 972 -- Transfers for voivodship funds for the development of physical education and sports to finance investment activity and capital repairs out of the central fund for the development of physical education and sports

Item 973 -- Transfers for budget-financed establishments for ongoing operations

Item 974 -- Transfers for budget-financed establishments for investment activity and capital repairs

4. In central and voivodship tourism and recreation funds

§ 46 -- Special subsidies for social organizations

Item 461 -- Subsidies for the ongoing statutory operations of central social tourist organizations

Item 462 -- Subsidies for investment activity and capital repairs of social tourist organizations

Item 463 -- Subsidies for Employees' Vacation Fund (FWP)

Item 464 -- Subsidies to finance debit price balances in foreign tourism

Item 465 -- Loans for social tourist organizations for investment activity and capital repairs

§ 53 -- Miscellaneous subsidies for enterprises

Item 531 -- Investment loans for enterprises

Item 532 -- Subsidies to finance adverse price differences in foreign trade

Item 533 -- Investment loans for cooperative organizations

Item 534 -- Subsidies to finance adverse price differences in foreign tourism

Item 535 -- Subsidies from central fund to finance tourist information

5. In central and local environmental protection funds

8 71 -- Expenditures for investments (modernization)

Item 711 -- Anti water pollution and sewage management expenditures

Item 712 -- Anti air pollution expenditures

Item 713 -- Waste management equipment

Item 714 -- Management and planting of green-belts and parks, creation of rural and picturesque parks, protective afforestation and planting of trees

Item 715 -- Other investment costs in the realm of environmental protection

8 73 -- Expenditures for capital repairs

Item 731 -- Anti water pollution and sewage management expenditures

Item 732 -- Anti air pollution expenditures

Item 733 -- Capital repairs to waste management sites

Item 734 -- Costs of restoring green areas to proper condition

Item 735 -- Other costs of capital repairs in the realm of environmental protection

10790

CSO: 2600/714

# PAST, FUTURE DEVELOPMENT OF FORESTRY SECTOR TRACED

Bucharest REVISTA ECONOMICA in Romanian No 20, 20 May 83 pp 16-17

/Article by P. Cioclu: "The Forest: The Country's Priceless Wealth"/

/Text/ The forest is one of our country's great resources. Rationally exploited, it will, on the whole, provide us with wood both in the form of raw material for industrial processing and for direct use, especially in construction.

Considering its many industrial uses, both in Romania and in all countries which have forests, special attention has been accorded and is being accorded to increasing wood resources, both by raising the productivity of the forest and by increasing the surface area of the forest reserve. Because the forest constitutes a renewable resource, research and studies have been made and are being made to find species of trees which develop in the shortest possible time so as to create resources which will better satisfy demand. Together with the principal raw material--wood--the forest also provides other valuable resources: wild animals for hunting, edible fruits and mushrooms, fodder for the support of animals and the potential for developing agriculture and fish breeding.

In carrying out, as well, other special activities (protection of the atmosphere against pollution, soil against erosion and the climate against drought, etc.), countries are increasing their concern for forests and are granting sizeable sums for their care and development.

The surface area of the forest reserve in Romania has undergone a continuous decline over time. At the beginning of the 19th century the forests represented approximately 40 percent of the total surface area of the country. Due to the increase in population and the establishment of industrial enterprises and communication routes, forest surface area has gradually decreased. At present, the surface area of the forest reserve is about 6,337 thousand ha and represents 26.6 percent of the total forest surface area of the country (the European average is 29.3 percent). In terms of forest surface area size, we hold ninth place in Europe, while in terms of surface area per inhabitant, tenth place. If in total forest species, Romania holds a middle position in Europe, in terms of evergreen forest, as

a share of the total surface area of the country, we occupy a modest 16th position. From a comparison of the statistical data, it turns out that each Romanian's share of the forest surface is about 14 times smaller than that of a Finn, about 10 times less than that of a Soviet, about 9 times less than that of a Swede, etc., while in terms of evergreen forest the discrepancy is even more accentuated.

It is more than obvious from this that we are not a country rich in forests, though we are a country with an ever-increasing need for wood, which our forests can provide only with increasing difficulty. It would be unrealistic to put the problem of increasing the forest surface area on the same footing with that of agriculture. Wood production can and must increase, both through better utilization of the forest reserve and, especially, through increased forest productivity.

The country's forest reserve covers--at the 1982 level--an area of about 164 thousand ha not covered by forests, representing terrain occupied by buildings and yards, reserves for planning and hunting, electric and telephone lines, rocks, marshes, unproductive surfaces, etc. Over the course of time the surface area of such terrain has continuously decreased (in 1955 there were 711 thousand ha), while it is essential that every hectare of forested terrain have the most suitable, productive and economical vegetation in accordance with the respective geographical region and the local soil and climate conditions. Since our country is not rich in forests, we must make the most complete use of the existing forest reserve terrain.

#### A Complex Program for Developing the Forest Reserve

In the period immediately following World War II, our forests showed serious deficiencies: an unsatisfactory species composition, an inadequate structure in terms of age classes, a pronounced lack of accessibility in many areas. The reconstruction of cities and towns destroyed by the war and the development which the national economy underwent required an increased forest yield so as to meet the country's wood requirement. A very important measure taken after the nationalization of principal means of production, including the forests, was the reforestation of surface areas cleared by uncontrolled logging in the past. The year 1964 marked the beginning of that action, so that, starting in 1965 logged surfaces have been reforested.

Forest planning was a project to provide detailed knowledge of the forest reserve through accurate mapping of the forests. Within the scope of improving the species composition of the forests, reforestation of the largest possible surfaces with species of higher economic value was undertaken. Since 1951 reforestation with evergreen species has become most common. As a result, the proportion of evergreen forest area out of the total area rose from 26 percent to 30 percent. At the same time planting of fast growing deciduous trees was expanded (poplar, willow and locust), while the same was done for those fast-growing evergreen species (pine, larch, Douglas fir).

As for the need to improve the age class structure of the forests, decisive and constant measures were taken which have led to the improvement of the situation. Starting in 1966 the volume of wood cutting has gradually diminished, so as to bring it into line with the normal production capability of the forests and rectify the age class structure. In order to increase forest productivity to obtain valuable quality wood, one of the measures taken was to restore underproductive, damaged or cleared forests with new, vigorous, high yield trees--an action spaced out over the course of many decades, but which will gradually double or triple the production of wood from the same surface areas.

The characteristic features of the forest economy in its totality, the role of the forest as an important factor in the socio-economic development of the country, the large production cycle (the majority of undisturbed forests are 100 years old or older) demand a comprehensive long-term program dealing with the forest reserve and its problems. "The national program for the conservation and development of the forest reserve in the period 1976-2010" worked out on the initiative and under the guidance of comrade Nicolae Ceausescu, responds fully to these requirements, and constitutes a legislated framework for the rational management of forests and a guarantee that their multiple functions will be exploited with maximum efficiency. The program covers a complex of measures worked out over a period of time that deal with the principal requirements of the forests; appearance, conservation, and development of the forest reserve; introduction of a balanced system for logging and replanting; improvement of forest protection functions and increasing wood volume for industrial use; continuous improvement of the management of hunting and fishing in mountain waters; development of better recycling and reclamation for forest by-products; closer ties between research and development of the country's forest zones.

This totality of measures is aimed at: increasing the proportion of evergreen forests to around 40 percent; raising the proportion of surfaces of irrigated willow and poplar planting; creation of special forest plantings for the production of wood cellulose over a total surface area of 450,000 hectares, construction of roads and forest transport installations for all forests until a maximum per hectare density is reached, continuation and termination of restoration for all under productive surfaces. An analysis of measures taken in past years for the adopted program shows that its main provisions are being fulfilled satisfactorily. Thus, in 1982, the surface area of the forest reserve was 17,000 hectares larger and that of forests, 20,000 hectares larger. The provisions concerning reforestation have been realized with a growth in the share of naturally renewable indigenous species of high volume which leads to vigorous and productive forests. Also accomplished is the timing stipulated for restoration projects for under-productive forests as well as for special plantings for wood cellulose. Through the cumulative effect of measures for the improvement of forest structure, quality and productivity, the volume of wood which can be exploited over 30 years will be about 30 percent greater.

## Bringing Secondary Forest Products into the Economic Circuit

Together with the volume of wood destined for exploitation (which from 1976-1985 was forecasted at 20 million mc. annually for principal and secondary products, and at 1.2-1.6 million mc. for hygiene operations), a whole series of other products of great value and economic importance is being obtained from the forests without investments or with reduced expenditures. Some of these products have witnessed continuous growth: wicker products, from 12,990 t in 1970 to 19,024 t in 1982; game meat, from 364 t in 1970 to 571 t in 1982; live game, from 84,000 in 1970 to 248,000 in 1982; honey products, from 435 t in 1970 to 766 t in 1982, etc.

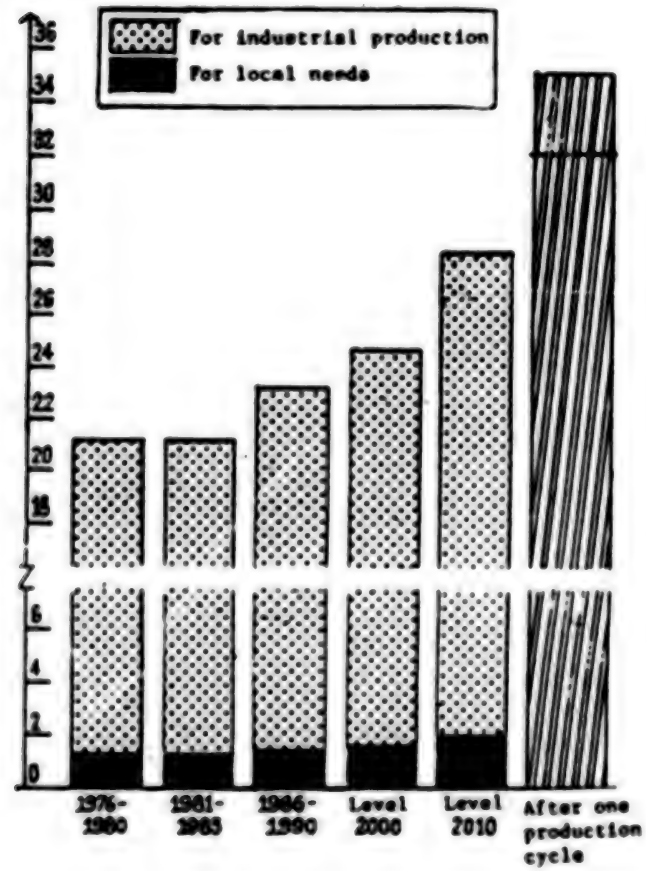
For other products, the production of which is, in large measure, determined by climatic conditions, an approximately constant harvest was achieved by intensifying the harvesting in weak years. Thus, the harvest of forest fruits in 1976 was 25,075 t, and in 1978 25,379 t while in 1982 it was 24,977 t. In order to increase the production of forest fruits on surfaces restricted by spontaneous vegetation, it is necessary to develop surfaces with fruit-bearing bushes, fully utilizing the terrain under power lines, as well as forest meadows and range land.

The products of fish breeding on the forest reserve have registered an increase, especially in recent years, reaching a level in 1982 that represents over 15 mil. lei. Thus there is a possibility to increase the quantities of fish destined for consumption both through fish hatcheries and through sport fishing. Similarly, the raising of silkworms on leaves of mulberry, oak, etc. in the forest sector showed some promising results, but this will require an intensification of efforts to go beyond the phase of good intentions.

In areas along access roads, in clearings, etc. fodder plants grow or are raised and are harvested both in the forest sector and in other sectors. If in 1975 23.5 thousand tones of fodder were sold, in 1982 the quantity sold exceeded 27,000 tons, contributing to the improvement of the country's fodder balance. Grazing in the forests is being extended, under new administrative conditions which take into account, in greater measure, the necessity of not hindering the growth and development progress of forest vegetation, while still making full use of the country's forest potential.

# The Total Wood Volume Proposed for annual exploitation

Gross volume  
in feet



9794

CSO: 2700/243

ROMANIA

AMENDED LAW ON IRRIGATION, LAND IMPROVEMENT MEASURES

Bucharest BULETINUL OFICIAL in Romanian Part I No 29, 23 Apr 83 pp 1-6

[Law No 7/1974\* on the Completion, Operation, Maintenance and Financing of Irrigation Systems and the other Land Improvement Projects]

[Text] In the Socialist Republic of Romania the irrigation systems and the other land improvement projects involve a highly important activity for the protection of and increase in the production capacity of the land of our country, the chief means of production in agriculture.

In light of the magnitude and complexity of the land improvement projects, to ensure a uniform concept and strengthen state discipline in the unfolding of this activity,

The Grand National Assembly of the Socialist Republic of Romania adopts this law.

Chapter I. General Provisions

Article 1. Land improvement projects are aimed at making the fullest possible use of the production capacity of agricultural lands, increasing the fertility of poorly yielding lands, providing the largest possible areas of unproductive lands to agricultural production, preventing and combating some natural phenomena that negatively affect the productivity of agricultural lands.

Land improvement projects involve:

- a. Irrigation systems;
- b. Development of sloping agricultural lands;
- c. Daming and regulation of water courses;
- d. Drainage;

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\* Republished on the basis of Article VI of Decree No 68 of 4 March 1983, published in BULETINUL OFICIAL AL REPUBLICII SOCIALISTE ROMANIA, Part I, No 13 of 9 Mar 1983.

Law No 7/1974 was published in BULETINUL OFICIAL No 51 of 3 April 1974 and was again republished in BULETINUL OFICIAL No 62 of 14 June 1975.

- e. Improvement of salt lands and of acid soils;
- f. Grading and shaping of agricultural lands;
- g. Clearing of lands.

Article 2. According to their economic importance, land improvement projects involve:

- a. Systems, that are completed on the lands belonging to several socialist agricultural units; the systems include projects of common interest for several socialist agricultural units and projects of inner developments that are completed on the land and in the interest of each socialist agricultural unit;
- b. Local projects, that are completed on limited areas of land, chiefly using local potentialities, and as a rule are completed on the territory of only one socialist agricultural unit.

Article 3. The Ministry of Agriculture and Food Industry is responsible for the implementation of the party and state policy in the area of irrigation systems and the other land improvement projects, ensuring, through its specialized units, research, design, completion, operation and maintenance of the projects.

#### Chapter II. Object and Way of Completing the Projects. A. Irrigation Projects

Article 4. The irrigation systems are aimed at combating the harmful effects of the drought and supplementing the moisture deficiency, for the purpose of obtaining high agricultural output every year, ones that are not conditioned by the precipitation rate.

In planning and completing irrigation systems account shall be taken of the prospects for their use, as the case may be, and for other purposes such as: supply of water to agricultural husbandry centers, fish farming projects, industrial localities and facilities, production of electric energy, navigation and recreation.

Article 5. The activity of research in the area of irrigation is ensured by the Ministry of Agriculture and Food Industry -- the Academy of Agricultural and Silvicultural Sciences --, through the subordinate research institutes and through the higher education institutes.

Article 6. The activities of study and design in the area of irrigation systems shall be conducted, in light of the economic importance and the complexity of the projects, through the specialized units under the Ministry of Agriculture and Food Industry or under the executive committees of county people's councils.

Article 7. The technical-economic documentations for irrigation systems shall be worked out for the various hydrographic basins and subbasins or for the various natural units, in correlation with the outline plan for development of hydrographic basins in terms of water management and with the surveys for the structuring of the agricultural territory and of agricultural production.

Article 8. The Ministry of Agriculture and Food Industry is responsible for the achievement of a uniform concept in the development of the surveys and projects for irrigation, it shall formulate, through subordinate research and design units, methodologies, technical standards, standard designs and directives, and also instructions for all units that are allotted tasks in this area and shall ensure:

- a. Reduction of areas that are withdrawn from agricultural plant production, by rational use of land configuration and adoption of adequate technical approaches;
- b. Continuous increase in automation of the operation of irrigation systems and mechanization of activities of exploitation and maintenance of the systems, for the purpose of reducing the work force and operating costs;
- c. Continuous lowering of relative consumption rates for materials, fuel and electric energy.

Article 9. The irrigation systems shall be completed through the specialized construction and assembly units under the Ministry of Agriculture and Food Industry and through the specialized units under the executive committees of county people's councils.

The agricultural cooperative organizations shall complete with their own forces the local projects with technical assistance of specialized units under the executive committees of county people's councils and with the aid of socialist units that can, for a charge, complete sophisticated construction-assembly projects.

Article 10. The Ministry of Agriculture and Food Industry, through the specialized construction-assembly units and units for operation of land improvement projects, is responsible for training, during the course of the execution of the projects, the technical personnel and the skilled workers needed for operation, provided by the user units, for ensuring the commissioning of the irrigation systems immediately after their completion and attainment, on schedule, of the technical-economic indicators approved.

#### B. Development of Sloping Agricultural Lands

Article 11. Development of sloping agricultural lands by projects to combat soil erosion, regulation of water runoffs on hillsides and correction of torrential formations is to protect agricultural and silvicultural lands and slopes and at the foot of slopes, conserve and increase the soil production potential, upgrade the hydrologic rate of watercourses, protect storage basins against warping, protect localities, communication ways, hydrotechnical projects and other facilities in the area.

Article 12. The Ministry of Agriculture and Food Industry shall take measures so that the documentations for the development of sloping agricultural lands may result in determining the most adequate uses of lands and pattern of crops, that ensure a high economic efficiency in utilization of agricultural lands.

Article 13. The holders of lands that benefit from projects for the development of sloping agricultural lands are required to execute, concomitantly with the projects

for combating soil erosion and correcting torrents, the specific agrophytomeliorative projects and measures and not complete any other work that may favor the process of land erosion or jeopardize the projects involved.

The Ministry of Agriculture and Food Industry, through the general directorates for agriculture and food industry and through the research institutes and stations of the Academy of Agricultural and Silvicultural Sciences, shall develop techniques appropriate for farming on sloping lands, with a mandatory character, and shall guide the socialist agricultural units in application of agrophytomeliorative measures, on a differential basis in light of local natural conditions.

#### C. Combating Flood and Eliminating Moisture Excess

Article 14. The projects for damming and regulation of watercourses are aimed at protecting against flood the agricultural and silvicultural lands, the assets located on these lands, localities and socioeconomic facilities.

The projects for damming and regulation of watercourses shall be surveyed and completed for the various hydrographic basins and subbasins or natural units, fitting in the overall provisions of the standard plans for the development of hydrographic basins in terms of regulation of surface runoff.

Article 15. The drainage projects are designed to eliminate the water excess on the surface of the land and regulate soil moisture, for the purpose of creating adequate conditions for the execution of farm operations and intensification of production.

The socialist agricultural units on whose lands drainage projects are executed are required, concomitantly with completing these projects, to execute specific agromeliorative projects and measures (grading, shaping, deep soil loosening, application of amendments, organic and mineral fertilizers) for the purpose of improving the hydrophysical and biological properties of the soil.

The agromeliorative projects and measures shall be carried out on a differential basis, according to local natural conditions, based on the technical instructions formulated by the research institutes and stations of the Academy of Agricultural and Silvicultural Sciences.

Article 16. The Ministry of Agriculture and Food Industry is allotted the task of ensuring, through the program of damming, regulation of watercourses and drainage, the increase in the agricultural area and specifically the arable area, by putting to good use the lands taken up by swamps, bogs, reed plots and other unproductive lands, and also by making better use of lands that are exploited inefficiently.

#### D. Other Land Improvement Projects

Article 17. For the purpose of expanding the areas under crops and continuously increasing the production potential of the soil, in the systems of irrigation, damming, drainage and combating of soil erosion, and also outside these systems, the Ministry of Agriculture and Food Industry shall take measures to carry out, in light of the specific conditions of the lands, projects for improvement of salt lands, amendment of acid soils, grading, shaping and clearing of these lands.

Article 18. The retaining dams and the watercourse diversions that are executed within the framework of the systems of irrigation, damming, drainage and combating of soil erosion shall be designed and completed so that they may serve to reduce flood and to create new sources of water, with the aim of protecting agricultural and silvicultural lands, expanding irrigation and other uses.

Article 19. The activities of research, surveys, design and execution needed for the projects specified under (B), (C) and (D) in this chapter fall under the provisions of Article 4 Paragraph 2 and articles 5-10.

### Chapter III. Financing of Projects and Monitoring of Execution

Article 20. The projects within the framework of the systems of irrigation, damming, drainage, combating of soil erosion, the projects for regulation and consolidation of watercourses, storage and complex diversions, improvement of salt lands, which will be executed on lands that are owned by the state and on those of the agricultural production cooperatives, beginning in the 1974 plan year, shall be financed from state funds and these projects shall remain, after completion, in the exclusive ownership of the state. The state acquires the right of using the land in cooperative ownership, taken up by the projects involved, during the duration of their existence.

Article 21. The inside projects within the framework of the systems of irrigation, drainage and combating of soil erosion, executed on lands belonging to agricultural production cooperatives, shall be financed by these from their own funds and work input, and also from long-term credits granted by the state, under the conditions prescribed by law, and shall remain in the exclusive property of these cooperatives.

The provisions of Paragraph 1 shall be applied to the following categories of projects:

- a. For irrigation: the network of canals and buried pipes of last order, with the related accessories (hydrotechnical structures, penstocks, devices), and the watering equipment;
- b. For drainage: the network of canals of last order, on the land of an agricultural production cooperative, with the related hydrotechnical structures;
- c. For combating soil erosion: agricultural terraces and agrophytomeliorative projects (grass belts, strip crops, ridging, fertilization, overplanting and replanting on pastureland).

Article 22. The local projects for irrigation, drainage, combating of soil erosion and other land improvement projects of local importance, executed on the lands of one single socialist agricultural unit, shall be financed:

- a. For state units, from investment funds;
- b. For agricultural production cooperatives, through their resources: from their own funds and work input, and also from long-term credits granted by the state.

Article 23. The long-term credits for the execution of land improvement projects specified under articles 21 and 22 shall be granted, under the law, to agricultural production cooperatives for a period of up to 25 years; payment back of the first installment shall occur after the completion of the project, but no later than 5 years after the granting of the credits.

The long-term credits granted to agricultural production cooperatives for completion of land improvement projects and not repaid by 31 December 1973 shall be rephased out by the Bank for Agriculture and Food Industry, in conjunction with the agricultural organs, in accordance with the possibilities of payment, within the maximum period provided for in the prior paragraph.

Article 24. For the execution of the projects of basic grading, shaping and scarifying of lands inside and outside the drainage systems, the Bank for Agriculture and Food Industry is authorized to grant credits to state agricultural units and agricultural production cooperatives, with the legal interest rate.

The repayment of credits shall be made from production costs, over a period of up to 8 years, with the first installment to be paid back 1 year after the developed land went into use.

The projects of basic grading, shaping and scarifying, that are executed by state agricultural units, shall not affect the expenses for each 1,000 lei marketable output and the financial results provided for under the plan. The expenses for the execution of these projects shall be paid for from the production increases that will be obtained on the lands involved.

For the projects of basic grading, shaping and scarifying of lands inside the area on which soil erosion combating projects are executed, financing shall be made from state funds.

In the irrigation systems, beginning in 1975, the projects of basic grading or shaping, including the related scarifying operations, shall be included in the value of investment projects, shall be financed from state funds and shall be executed concomitantly with the irrigation projects.

The projects of basic grading or shaping, including the related scarifying operations, in local irrigation projects, shall also be included in the value of investment projects and shall be executed concomitantly with the irrigation projects, with the financing being made, depending on users, from the sources specified under Article 22 in this law.

The cooperative-owned lands where one executes basic grading or shaping projects financed from state funds are excepted from the provisions of Article 20 and remain in the use of agricultural production cooperatives.

Maintenance grading projects shall be financed from the funds or production credits of the units that hold lands on which basic grading was executed and shall

be executed by these units with their own equipment or through the stations for the mechanization of agriculture.\*

Article 25. The Ministry of Agriculture and Food Industry together with the Bank for Agriculture and Food Industry shall determine annually, before the plan projects for the following year are made final, the volume of projects and credits relating to the projects specified under Article 24 and the sources for payment.

Article 26. The responsibility for the execution of investment projects regarding irrigation systems and the other land improvement projects lies with the Ministry of Agriculture and Food Industry, that shall monitor completion on schedule and on the basis of adequate quality, through:

- a. Its subordinate units, specifically structured as users of investment projects, for the systems financed from state funds;
- b. The specialized units under the executive committees of county people's councils, as users of investment projects, for the projects of local importance financed from state funds;
- c. The agricultural units, for internal projects within the framework of the systems and for local projects, in which these units are recipients of investments.

Article 27. The irrigation systems and the other land improvement projects shall be inspected by commissions whose composition is approved by:

- a. The Council of Ministers, for the investments whose major technical-economic indicators were approved by the Council of Ministers;
- b. The executive council of the Ministry of Agriculture and Food Industry, for the projects whose technical-economic indicators are under the purview of approval of the investment coordinator.

The inspection commissions shall include representatives of county people's councils and financing banks, cadres from higher education and from the specialized research institutes, other experts and representatives of the users of projects and of the design unit. Officials with responsible posts outside the apparatus of the Ministry of Agriculture and Food Industry shall be appointed as chairmen of the inspection commissions, for the projects under the purview of approval of the Council of Ministers.

The commissions shall inspect the projects executed and the areas of land improved by projects of irrigation, drainage, combating of erosion, damming, regulation of rivers and other land improvement projects, for the various holders and categories

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\* In accordance with the provisions of Article II of Decree No 55/1975, the projects of basic grading or shaping, not completed on the lands in the local systems and improvements put into use by 31 December 1974, were financed, as the case may be, from the sources specified under Article 24.

of usage, that resulted following the completion of the projects. Based on the inspection documents worked out in this way, the projects executed and the areas of land improved shall be recorded in the land register.

#### Chapter IV. Management of Irrigation Projects and of the Other Land Improvement Projects. A. Management and Evidence

Article 28. The exploitation, maintenance and guard of irrigation projects and of the other land improvement projects constitute tasks under the responsibility of all state and cooperative units and other mass organizations that have such projects under management or, as the case may be, in ownership.

Article 29. The projects executed from state funds shall be managed by the enterprises for operation of land improvement projects, under the Ministry of Agriculture and Food Industry.

Excepted are the internal network of irrigation and drainage canals in the systems, the secondary buried pipes in irrigation systems on the territory of state agricultural enterprises, the internal projects in rice fields, the internal projects, including basic grading and shaping projects, within the framework of systems of projects for combating soil erosion, the basic grading and shaping projects in the irrigation and drainage systems, the motor pumps and watering equipment, and the local projects of irrigation, drainage and combating of soil erosion, executed on lands belonging to state socialist agricultural units, that are managed by these units.

Also excepted are the basic grading and shaping projects, financed from state funds, executed, in the systems of irrigation, drainage and soil erosion combating, on lands in use of agricultural production cooperatives, that shall be taken over for management by these units, with the obligation of periodically executing maintenance grading operations.

The executive committees of people's councils of counties and of Bucharest Municipality are required to supervise the activity of the enterprises for operation of land improvement projects and of socialist agricultural units, in the area of exploitation and maintenance of the projects and use of improved lands in irrigation systems and other land improvement projects on the territory of counties and of Bucharest Municipality.

Article 30. The internal projects in local land improvement systems and developments, executed on lands belonging to agricultural production cooperatives, by their own input in work and cash and from credits, shall be managed by these units.

Article 31. The Ministry of Agriculture and Food Industry is responsible for the national evidence of land improvement projects, which it shall keep, through its organs, according to the various categories of socialist units and types of projects.

The executive committees of county people's councils are responsible for the evidence of land improvement projects of the county, which shall be kept according to the various users, types of projects and the various categories of use of the improved lands.

## B. Operation and Maintenance

Article 32. The socialist units that have irrigation projects and other land improvement projects under management are responsible for the exploitation, maintenance and guard of these projects, for ensuring their operation at the parameters specified in the documentations approved.

The general regulations for operation, maintenance and guard of land improvement projects are determined by the Ministry of Agriculture and Food Industry. In their activity the socialist units that have land improvement projects under management are required to strictly follow these regulations and also the provisions in the operation codes worked out by the designing units, for each individual project and facility.

The agricultural units that have irrigation projects and other land improvement projects under management shall include, in the annual production and financial plans, the funds and assets needed for the operation, maintenance and guard of these projects and shall be responsible for their execution.

For proper operation and maintenance of the projects that are managed by state agricultural units, by agricultural production cooperatives or other mass organizations, the units for exploitation of land improvement projects shall execute, on request, for a charge, based on technical-economic documentations, the maintenance and overhaul of these projects. To this effect, long-term contracts shall be concluded, and annually, the volumes of operations and execution charts shall be specified, by common assent.

The projects of internal development in the irrigation and drainage systems executed on lands of cooperative agricultural units, by their own input in work and cash and from credits, shall be exploited and maintained by these units.

Excepted from the provisions of Paragraph 5 are the channels and networks of buried pipes in irrigation systems and the closed drainage networks, which shall be exploited and maintained, for a charge, by the enterprises for exploitation of land improvement projects, under annual contracts.

Article 33. The socialist units that manage irrigation projects or other land improvement projects are required to supply, based on the technical provisions formulated by the Ministry of Agriculture and Food Industry, the minimum stock of materials, fuel, lubricants, tools and equipment required to execute the repairs that might be needed, unexpectedly, during the operation of the projects, and also the protective stock against flood specified under the law.

Article 34. Within each system of irrigation, drainage and soil erosion combating a managerial council shall be formed, composed of the chief of this system, the managers and senior engineers of state agricultural units, the chairmen and senior engineers of cooperative agricultural units, holders of improved lands within the framework of the system.

The council is responsible for the formulation and implementation of the plan for the operation, maintenance and guard of the projects within the system and the technical-organizational measures required for the adequate utilization

of the agricultural lands improved, for the purpose of realization of the production plan provisions and the technical-economic parameters approved for the operation of the system.

The Ministry of Agriculture and Food Industry and the National Union of Agricultural Production Cooperatives shall specify, by regulations, the procedure of organization and operation of the managerial council.

Article 35. For the attainment of the technical-economic parameters approved, for the operation of the system, the socialist agricultural units that hold improved lands are required:

- a. To use, for cultivation, with high efficiency, the entire agricultural area improved;
- b. To follow the crop pattern specified in the technical-economic study, with possible modifications permitted only to the extent that they increase the value of production and upgrade the economic efficiency of the projects;
- c. To follow, in irrigation projects, the watering programs specified;
- d. To include in the annual production plans and use the necessary funds, most adequate seeds, fertilizer, herbicides, manpower and the other technical means for the obtaining of the productions envisioned, giving priority, in the context of the amounts received, to irrigated lands;
- e. To strictly apply the technologies specific to crops on lands irrigated, dammed, drained and improved, by soil erosion combating projects.

Article 36. The units for exploitation of land improvement projects are responsible, alongside of the agricultural production units, for obtaining the production planned. They are authorized to supervise the way in which the socialist agricultural organizations under their jurisdiction apply the provisions and regulations for operation and maintenance of internal projects and also the entire set of technical and organizational measures needed for obtaining the agricultural production, and may ask the proper local organs to require the agricultural units to meet all their obligations.

For the purpose of proper exploitation of projects within the irrigation systems, the Ministry of Agriculture and Food Industry shall constitute, for the various systems or groups of systems, collectives of agricultural experts who shall monitor the implementation of the programs for the development of agriculture in the irrigated areas and the implementation of the provisions in the annual plans of agricultural units, for the obtaining of productions and economic results at least at the level of the planned parameters.

Article 37. The withdrawal of a land improvement project from the improvement resources may be done only by cassation, in compliance with the legal provisions, and shall be approved by the organ that approved the investment project. On this basis the required modifications shall be made in the land register.

### C. Provision of Services

Article 38. The units for exploitation of land improvement projects are responsible for the execution of the following categories of services:

- a. Capturing, conveyance and distribution of water for irrigation, industrial use, pisciculture and other uses;
- b. Protection against flood;
- c. Discharge of water from drainage systems, piscicultural facilities and the like.

Article 39. The socialist units that benefit from irrigation projects and land improvement projects in systems shall annually conclude contracts with the units that provide services, stated in the prior article, with the payment for the value of services proceeding in accordance with the effective rates.

The contracts shall be concluded for the area of land improved, recorded in the evidence of the land register,

Not included in the area under the contract are:

- a. In distribution of water for irrigation: the lands taken up by structures, roads and nonproductive lands, the protection belts that are not irrigated and also the improved areas which because of force majeure cannot be cultivated;
- b. In protection against flood: the lands in the buildable area of localities, the lands covered with unproductive swamps and bogs, public roads, and the poplar and willow woods planted over two years earlier.

Moreover, the socialist agricultural units shall pay the equivalent value for the services provided by the enterprises for exploitation of land improvement projects and the enterprises for terracing equipment, land improvement, designing and execution of construction for exploitation and maintenance of internal projects in the irrigation and drainage systems, in accordance with the legal rates.

Article 40. The rights and obligations of the provider of services and of the user shall be specified under contract. They are responsible for failure to meet contractual obligations, in compliance with the law.

### Chapter V. Supervision and Penalties

Article 41. Supervision regarding exploitation, maintenance and guard of irrigation projects and the other land improvement projects and also the attainment of the technical-economic indicators shall be effected, for all the holders of such projects, by experts of the Ministry of Agriculture and Food Industry and of the specialized units under this ministry or under the executive committees of county people's councils, appointed by the order of the minister of agriculture and food industry.

Article 42. Violation of the provisions of this law involves disciplinary, material, civil, contraventional or penal liability, as the case may be.

Article 43. Deterioration or destruction of irrigation projects and of the other land improvement projects constitute infractions and shall be punished according to Article 231 of the Penal Code.

Article 44. The contraventions to the provisions on the protection of irrigation projects and the other land improvement projects and the persons competent to determine them and apply the contraventional penalties shall be specified by a decision of the Council of Ministers. The contraventional penalties shall also be applied to legal persons.

The fines applied to socialist units shall be charged to the physical persons guilty of committing the contravention.

#### Chapter VI. Final Provisions

Article 45. The Ministry of Agriculture and Food Industry, concomitantly with the realization of new systems of irrigation, damming, drainage and soil erosion combating, shall also ensure the organization of the units for the exploitation of these systems and their provision with equipment, transportation facilities and specific materials, related to the start-up of the new units.

Moreover, the Ministry of Agriculture and Food Industry shall ensure the organization of the activity of exploitation of the internal networks of irrigation and drainage channels in the systems, of local irrigation, drainage and soil erosion combating projects under the management of socialist agricultural units.

Article 46. The Ministry of Agriculture and Food Industry shall ensure the training, ahead of time, of technical personnel and skilled workers, needed by the socialist agricultural units, for the maintenance of the internal improvement projects and the agricultural exploitation of the improved lands.

Article 47. The Ministry of Agriculture and Food Industry, through the Academy of Agricultural and Silvicultural Sciences, is responsible for the introduction of new technologies and equipment in the activity of exploitation and maintenance of projects, for the continuous improvement of the levels of technical-economic indicators that must be attained through the realization of irrigation projects and the other land improvement projects.

Article 48. The Ministry of Agriculture and Food Industry shall annually report to the Council of Ministers on the execution of the improvement program and the attainment of the technical-economic indicators approved, on the lands on which irrigation projects and other land improvement projects were completed.

The Council of Ministers shall annually present to the Council of State the situation on the realization of irrigation projects and the other land improvement projects envisioned in the uniform national plan for socioeconomic development, the measures taken for the maintenance in operation of the projects executed, and the results obtained on the irrigated lands.

Article 49. The Council of Ministers is authorized, based on the documentation presented by the Ministry of Agriculture and Food Industry, in agreement with the State Planning Committee and the Ministry of Finance, to introduce in the uniform national plan for socioeconomic development and the state budget for 1974 the amendments that emanate from the application of the provisions in Chapter III of this law, within the framework of the total volume of investments and long-term credits, approved for this year for the Ministry of Agriculture and Food Industry.

Article 50. This law goes into effect 30 days after publication in BULETINUL OFICIAL AL REPUBLICII SOCIALISTE ROMANIA.\*

On the same date are repealed the provisions of the Decision No 1279/1967 of the Council of Ministers on the management and financing of land improvement projects, and the approval of rates for some services, with the exception of articles 12 and 13, and articles 2 and 9 (d) in the Decision No 1686/1970 of the Council of Ministers on the financing, designing, execution and management of projects for soil erosion control, regulation of water run-offs on slopes and correction of torrents, and any other contradictory provisions.

\* Excepted are the provisions in Article 24, Article 32 paragraphs 1-3, Article 36 Paragraph 2 and Article 39 final paragraph, that went into effect on the date of publication in BULETINUL OFICIAL No 62 of 14 June 1975 of Decree No 55/1975 and also the provisions in Article 29, Article 32 paragraphs 4-6 and Article 45 Paragraph 2 that went into effect on the date of publication in BULETINUL OFICIAL No 13 of 9 March 1983 of Decree No 68/1983.

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## EFFECT OF MANDATORY DEPOSITS ON BORDER CROSSINGS EXAMINED

Zagreb VJESNIK in Serbo-Croatian 26 Jun 83 p 5

[Article by Salih Zvizdic: "Only a Fifth of the Travelers Are Posting the Deposit"]

[Text] After the mandatory deposit has been in effect 180 days—it was introduced on 23 October 1982—Trieste has become something different with respect to customers from Yugoslavia. The city which even in Italian business circles was known as "Yugoslavia's store to the west," by and large no longer possesses that attribute today. No longer can one encounter on its streets the crowds of Yugoslavs, their hands full with overflowing satchels and plastic bags. Yet even now Trieste is not without its "Yugovitches."

## Trieste as Something Else

From the commercial standpoint Trieste has always been a kind of barometer for us, one which has rather reliably shown the level of our supply and the realism of the dinar's rate of exchange. It is an open secret that billions of dollars stayed there every week before the mandatory deposit, and they came back to us through tourism and in other ways. Now many fewer dinars are remaining there.

Before we made purchases in Trieste mainly because the selection of goods was much greater there and because one could buy all those goods which were not available on the domestic market. Now, although our needs for scarce articles are much greater, we are buying much less in Trieste. Neither situation was good for us, but what can you do? The deposit is an economic necessity which has put a restriction on another need (to buy more goods abroad which ought to be on our own store shelves), so that our deposit, which represents an institution that is used by countries much more highly developed than our own, has become a double need.

Today Trieste has in large part adapted its commerce to the Yugoslav deposit. There are half as many shops with goods on the "Ponte Rosso" and in front of the railroad station about 30 stores which catered mainly to Yugoslavs have either closed or changed their line of business, a sizable number of employees in shops have been laid off, and there has also been a drop in the number of employees in service stations which mainly did business with our people, and the number of currency exchange offices has been cut in half.

## Anger Because of the Restriction of Local Border Traffic

It is not easy for Trieste without our customers, and, Lord knows, it is not easy for us when we cannot buy in Trieste. But economics has its own laws, and laws have their own specific measures, among the mandatory deposit. Although few of us are in favor of the deposit, it still should be said that most of our people have reconciled themselves to the deposit as a necessary evil which will not last forever. The dissatisfaction with the deposit is greatest in Slovenia, whose citizens, because of the proximity of Italy and Austria, our western neighbors with whom we have done the most business as "tourists," had quite strong ties, not only in commerce, but also by kinship, with the Slovenian minority in Italy and Austria.

At Sezana they are especially critical of the deposit because it has also affected individuals involved in local border traffic. Now every Yugoslav in that area can travel abroad 12 times a year without posting the deposit, and each time he can take advantage of the privilege of bringing 2,000 dinars worth of goods into the country without being subject to duty.

"The deposit has severed many kinship ties in the border zone between people on the two sides of the boundary. People on the two sides of the border lived for years, ever since 1955, when the Udine agreement took effect, as a single body. Now this economic measure has cut that body to pieces, which certainly has political implications," we were told by a leader from Sezana, who refused to have his name used.

### Fifty-Two Percent Fewer Travelers!

In the jurisdiction of the Sezana customs house, which includes the highway border crossings at Fernetici, Kozina and Lipica, as well as several smaller crossings known as local border crossings, and the rail crossing at the Sezana railroad station, the traffic of travelers in the first 5 months of this year is down all of 52 percent from the same period of last year (when there was no deposit)!

The table gives the most recent figures on regular and local border crossings of the border in the jurisdiction of the Sezana customs house for the first 5 months of this year and the same period of last year.

<u>Type of Crossing</u>	<u>Crossed Border From</u> <u>1 January to 31 May</u>		<u>1983/1982, %</u>
	<u>1982</u>	<u>1983</u>	
Regular traffic (total)	4,515,333	1,392,902	(-) 30.84
Breakdown:			
a) domestic travelers	2,973,781	323,544	(-) 10.87
b) foreigners	1,541,552	1,069,358	(-) 69.36
Local border traffic (total)	1,598,648	1,569,780	(-) 98.19
Breakdown:			
a) domestic travelers	419,936	193,553	(-) 46.09
b) foreigners	1,179,312	1,376,227	(+) 116.69
Total	6,113,981	2,962,681	(-) 48.45

The table shows that aside from foreigners involved in local border traffic all other passenger traffic has been declining. The greatest drop was recorded by the traffic of so-called regular travelers, travelers from the interior of the country (from outside the border zone), whose numbers were down all of 90 percent. It is thought that the number of foreigners in local border traffic has increased mainly because of the high inflation of the dinar, which is favorable to those who hold foreign currencies, even though that foreign currency is the lira, that it is cheaper to eat in restaurants or to buy certain goods in our country than in Italy.

#### Large-Scale Smuggling on the Rise

We cannot say whether the Italian customs officials have received an order or instruction from the higher authorities to check their own and our citizens more strictly than up to now. However, it is evident that the Italian customs officials are "digging into" the vehicles of their own citizens more than in the past, especially those involved in local border traffic, which are entering or coming from our country. Perhaps this is a kind of response to the relatively better check which our customs officials are now making of travelers. At the same time, there are fewer travelers, so that both have more time for inspection.

Of the things which have been noticeable recently on our border with Italy (just as with Austria, incidentally) it is interesting to mention that many foreigners, especially those involved in local border traffic, are attempting more and more frequently to bring coffee and certain other scarce articles into our country illegally. They then resell the coffee and use the dinars to pay for various tourist, hostelry and other services or for goods in our country.

Also on the rise, and this is something new in our country, is large-scale smuggling of scarce articles, which is the business of groups of our own black marketeers in a tie-up with the Italian commercial "underground." By and large two forms of such smuggling have been recorded, one which involves illegal crossing of the border and the other involving help from foreign truck drivers, who usually hide the smuggled goods in trucks which have cargo space which has been sealed by customs authorities (TIR) or in other concealed places.

Incidentally, a much smaller amount of coffee is being smuggled at the border crossings in the jurisdiction of the Sezana customs house than in the jurisdiction of the customs houses at Maribor and Jesenice. Some people explain this by saying that in Italy there are practically no Yugoslavs employed temporarily (a quite small number of persons in the border zone who are employed represent an exception) who spend their weekends at home and usually try to pay their commuting expenses by reselling coffee.

#### A Fifth Have Paid the Deposit

Let us mention in conclusion interesting checks conducted over the first 5 months of this year by the customs officials of the Sezana customs house at

Fernetici and Sezana, the most heavily trafficked highway and railroad points in their jurisdiction. In conducting that check they recorded figures only on the exits of our people from Yugoslavia in regular and local border traffic, and then they placed all those exits in categories as to the reasons for foreign travel.

In all, over that 5-month period 191,590 Yugoslavs left the country at those two points. The table shows how those trips were justified by official documents.

<u>Justification of Trip</u>	<u>Number of Travelers</u>	<u>Percentage of Total Number of Travelers</u>
Travel on the basis of a work visa	75,717	39.52
Local border permits	39,660	20.70
Paid the deposit	38,974	20.34
Statement as to employment abroad (local border traffic)	18,144	9.47
Official travel orders	12,704	6.63
Statement about visiting relatives	5,091	2.65
Did not pay the deposit (violators of the order on the deposit)	<u>1,300</u>	<u>0.67</u>
Total	191,590	100.00

It is striking that one-fifth of the travelers have paid the deposit, while all the rest are in other categories. The number of travelers with travel orders, the customs officials say, has dropped to almost half from the period when such trips did not require specific permission (because of the deposit) of the work organization's workers' council. The largest group of travelers is in the category of those who have a work visa, but it should be said that these workers are mainly employed in the western parts of West Germany, Switzerland and France, and that they are transiting by way of Fernetici or Sezana.

The traveler who has refused to pay the deposit is allowed to leave the country, but a record is made of this which will be waiting for the traveler at the border. Charges on the basis of that record are sent to the competent foreign exchange inspectorate, which renders a verdict on the violation. The penalty for practically all these violations is 5,000 dinars, which is the amount of the deposit, but there is the difference that the deposit is refunded to the person who has paid it.

#### It Depends on How You Look at It

It is assumed that in recent years before the deposit was introduced citizens of our country every year carried out about 4 billion new dinars into Italy alone, and in addition they carried out half of that amount in foreign currencies. The deposit has for certain reduced by at least 80 percent the quantity of dinars and foreign currency which our citizens previously spent in Trieste alone. That is not insignificant--and for that reason one can find above all

economic justification for the deposit--especially when we take into account that our people have not been sparing with their dinars and foreign currencies at other commercial and tourist points in neighboring countries either (Leibnitz, Graz, Nova Gorica, Udine, Ancona, Bari, Budapest, Thessalonica, and so on). But that all depends on the point of view of those who make judgment about the deposit and everything related to it.

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